

State of California  
Office of Administrative Law

NOTICE OF APPROVAL OF REGULATORY ACTION

Government Code Sections 11349.3

OAL Matter Number: 2020-0319-01

OAL Matter Type: Regular (S)

In re:

Department of Health Care Services

Regulatory Action:

Title 09, California Code of Regulations

Adopt sections: 3200.022, 3200.025, 3200.079, 3200.181, 3200.195, 3200.197,  
3200.213, 3200.227, 3200.244, 3200.252, 3200.254.1, 3200.257, 3200.258, 3200.323,  
3420, 3420.10, 3420.15, 3420.20, 3420.30, 3420.35, 3420.40, 3420.45, 3420.50,  
3420.55, 3420.60, 3420.65, 3510.005, 3510.030

Amend sections: 3200.080, 3200.110, 3200.251, 3200.260, 3510

Repeal sections: [Blank]

This action adopts a framework for counties, as defined, that receive Mental Health Services Act (MHSA) funds, to allocate, transfer, expend, and report the use of these funds, including provisions governing the reversion of funds to the state as a result of a county's failure to spend MHSA funds within specified time periods.

OAL approves this regulatory action pursuant to section 11349.3 of the Government Code. This regulatory action becomes effective on 7/1/2020.

Date: May 6, 2020

[Original Signed]

Dale P. Mentink, Senior Attorney

For: Kenneth J. Pogue Director

Original: Jennifer Kent, Director

Copy: Greg Rodriguez

[Stamp]  
[REGULAR]

**STATE OF CALIFORNIA – OFFICE OF ADMINISTRATIVE LAW  
NOTICE PUBLICATION/REGULATIONS SUBMISSION**

STD. 400 (REV. 01-2013)  
OAL FILE NUMBERS  
NOTICE FILE NUMBER: **Z**- 2019-0308-02  
REGULATORY ACTION NUMBER: 2020-0319-01S  
EMERGENCY NUMBER: [Blank]

For use by Office of Administrative Law (OAL) only  
NOTICE: [Blank]

REGULATIONS: [Date Stamp]  
2020 MAR 19 PM 4:39  
OFFICE OF ADMINISTRATIVE LAW

For Use by Secretary of State Only  
[Date Stamp]  
Endorsed Filed in the office of the Secretary of State of the State of California  
MAY 06 2020  
3:00 pm

AGENCY WITH RULEMAKING AUTHORITY: Department of Health Care Services  
AGENCY FILE NUMBER (if any): DHCS-16-009

**A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)**

1. SUBJECT OF NOTICE: [Blank]  
TITLES: [Blank]  
FIRST SECTION AFFECTED: [Blank]
2. REQUESTED PUBLICATION DATE: [Blank]
3. NOTICE TYPE  
Notice re Proposed Regulatory Action: [Blank]  
Other: [Blank]
4. AGENCY CONTACT PERSON: [Blank]  
TELEPHONE NUMBER: [Blank]  
FAX NUMBER (Optional): [Blank]

**OAL USE ONLY**

**ACTION ON PROPOSED NOTICE**

Approved as Submitted: [Blank]  
Approved as Modified: [Blank]  
Disapproved/Withdrawn: [Blank]  
NOTICE REGISTER NUMBER: 2019, 12-Z  
PUBLICATION DATE: 03/22/2019

**B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)**

1a. SUBJECT OF REGULATIONS: Mental Health Services Act (MHSA) Fiscal Regulations

1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBERS:

[Blank]

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLES AND SECTIONS

**(Including Title 26, if toxics related)**

**SECTIONS AFFECTED (List all section numbers individually. Attach additional sheet if needed.)**

ADOPT: See attached sheet

AMEND: 3200.080, 3200.110, 3200.251, 3200.260, 3510

REPEAL: [Blank]

TITLES: 9

3. TYPE OF FILING

Regular Rulemaking (Gov. Code Section 11346): [Checked]

Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code Sections 11349.3, 11349.4): [Blank]

Emergency (Gov. Code, Section 11346.1(b)): [Blank]

Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code Sections 11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute: [Blank]

Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, Section 11346.1): [Blank]

Emergency Readopt (Gov. Code, Section 11346.1(h)): [Blank]

File & Print: [Blank]

Changes Without Regulatory Effect (Cal. Code Regs., Title 1, Section 100): [Blank]

Print Only: [Blank]

Other (Specify): [Blank]

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs, Title 1, Section 44 and Gov. Code Section 11347.1): Dates of Availability:

January 30, 2020 through February 14, 2020

5. EFFECTIVE DATE OF CHANGES (Gov. Code, Sections 11343.4, 11346.1(d)); Cal. Code Regs, Title 1, Section 100):

Effective January 1, April 1, July 1, or October 1 (Gov. Code Section 11343.4(a)): [Checked]

Effective on filing with Secretary of State: [Blank]

Section 100 Changes Without Regulatory Effect: [Blank]

Effective other (Specify): [Blank]

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY.

Department of Finance (Form STD. 399) (SAM Section 6660): [Checked]  
Fair Political Practices Commission: [Blank]  
State Fire Marshal: [Blank]  
Other (Specify): [Blank]

7. CONTACT PERSON: Greg Rodriguez  
TELEPHONE NUMBER: 916-345-8396  
FAX NUMBER (Optional): 916-440-5748  
EMAIL ADDRESS (Optional): [Blank]

8. I certify that the attached copy of the regulations is a true and correct copy of the regulations identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE: [Original Signed]

TYPED NAME AND TITLE OF SIGNATORY: Bradley P. Gilbert, Director

DATE: 3/19/20

For use by Office of Administrative Law (OAL) only

[Date Stamp]

Endorsed Approved

MAY 06 2020

Office of Administrative Law

Notice Register File Number – Z-2019-0308-02

STD 400

**B. Submission of Regulations – Sections Adopted**

3200.022, 3200.025, 3200.079, 3200.181, 3200.195, 3200.197, 3200.213, 3200.227, 3200.244,  
3200.252, 3200.254.1, 3200.257, 3200.258, 3200.323, 3420, 3420.10, 3420.15, 3420.20,  
3420.30, 3420.35, 3420.40, 3420.45, 3420.50, 3420.55, 3420.60, 3420.65, 3510.005, 3510.030.

## **METHOD OF INDICATING CHANGES**

This Accessible PDF version of the approved regulation text includes the phrase [begin underline] at the beginning of each addition, [end underline] at the end of each addition, [begin strikethrough] at the beginning of each deletion, and [end strikethrough] at the end of each deletion.

A standard PDF version of this approved regulation text is also available on the Department's Office of Regulations Internet site.

TITLE 9. REHABILITATIVE AND DEVELOPMENTAL SERVICES  
DIVISION 1. DEPARTMENT OF MENTAL HEALTH  
CHAPTER 14. MENTAL HEALTH SERVICES ACT

**Article 2. Definitions**

1) Adopt section 3200.022 to read as follows:

[begin underline]**§ 3200.022. Capital Facilities and Technological Needs (CFTN).**

“Capital Facilities and Technological Needs” means projects for the acquisition and development of land and the construction or renovation of buildings or the development, maintenance or improvement of information technology for the provision of Mental Health Services Act administration, services, and supports. Capital Facilities and Technological Needs does not include housing projects.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(b)(5), 5892(a)(2) and 5892(b)(1), Welfare and Institutions Code.[end underline]

2) Adopt section 3200.025 to read as follows:

[begin underline]**§ 3200.025. Capital Facilities and Technological Needs Account or CFTN Account.**

“Capital Facilities and Technological Needs Account” or “CFTN Account” means money in a County’s Local Mental Health Services Fund that the County allocates for CFTN, or transfers from the CSS Account for CFTN.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(2), 5892(b) and 5892(f), Welfare and Institutions Code.[end underline]



3) Adopt section 3200.079 to read as follows:

[begin underline]**§ 3200.079. Community Services and Supports Account or CSS Account.**

“Community Services and Supports Account” or “CSS Account” means the money in a County’s Local Mental Health Services Fund that the County allocates for Community Services and Supports programs and services as described in Article 6.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(5), 5892(b) and 5892(f), Welfare and Institutions Code.[end underline]

4) Amend section 3200.080 to read as follows:

**§ 3200.080. Community Services and Supports Component or CSS Component.**

“Community Services and Supports Component or CSS Component” means the ~~component~~ section of the Three-Year Program and Expenditure Plans that refers to service delivery systems for mental health services and supports for children and youth, transition age youth, adults, and older adults. These services and supports are similar to those found in Welfare and Institutions Code ~~§~~ sections 5800 et. seq. (Adult and Older Adult Systems of Care) and 5850 et. seq. (Children’s System of Care).

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(~~a~~)(b)(2) and (3) and 5847(c), Welfare and Institutions Code.

5) Amend section 3200.110 to read as follows:

**§ 3200.110. Department.**

“Department” means the [begin underline]State Department of Health Care Services[end underline][begin strikeout]State Department of Mental Health[end strikeout].

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section[begin underline]s [end underline][begin strikeout]4001(a)[end strikeout][begin underline]5890(a), 5892(d), 5897, 5898, 5899(a), 5899(b), 5899(g) and 5899.1(b)[end underline], Welfare and Institutions Code.

6) Adopt section 3200.181 to read as follows:

[begin underline]**§ 3200.181. Innovation Account or INN Account.**

“Innovation Account” or “INN Account” means the money in a County’s Local Mental Health Services Fund that the County allocates for Innovative Projects as described in Article 9.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(6) and 5892(f), Welfare and Institutions Code.[end underline]

7) Adopt section 3200.195 to read as follows:

[begin underline]**§ 3200.195. Investment Gain.**

“Investment Gain” means any realized earning, less any realized loss, on Local Mental Health Services Fund money invested by a County, including capital gains, dividends, and interest.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(f) and 5899(c)(3), Welfare and Institutions Code.[end underline]

8) Adopt section 3200.197 to read as follows:

[begin underline]**§ 3200.197. Investment Loss.**

“Investment Loss” means a realized reduction in principal of Local Mental Health Services Fund money invested by a County.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(f) and 5899(c)(3), Welfare and Institutions Code.[end underline]

9) Adopt section 3200.213 to read as follows:

[begin underline]**§ 3200.213. Local Mental Health Services Fund.**

“Local Mental Health Services Fund” means a County account that holds Mental Health Services Fund money and any Investment Gain on that money.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5891(c) and 5892(f), Welfare and Institutions Code.[end underline]

10) Adopt section 3200.227 to read as follows:

[begin underline]**§ 3200.227. Mental Health Services Fund.**

“Mental Health Services Fund” means a fund in the State Treasury, established pursuant to Welfare and Institutions Code section 5890(a), to hold tax revenue generated pursuant to Revenue and Taxation Code section 17043, which is distributed to Counties to fund Mental Health Services Act programs and services.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 5890(a), Welfare and Institutions Code.[end underline]



11) Adopt section 3200.244 to read as follows:

[begin underline]**§ 3200.244. Prevention and Early Intervention Account or PEI Account.**

“Prevention and Early Intervention Account” or “PEI Account” means the money in a County’s Local Mental Health Services Fund that the County allocates for PEI programs as described in Article 7, or transfers from the CSS Account for PEI programs as described in Article 7.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(3) and (4) and 5892(f), Welfare and Institutions Code.[end underline]

12) Re-designate section 3200.252 as 3200.251 to read as follows:

**§ 3200.25**~~2~~ **Project-Based Housing.**

“Project-Based Housing” means the unit(s) of an apartment complex, duplex, triplex, or other structure leased and/or purchased by the County for the purpose of providing housing.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5813.5(a), 5813.5(c), 5813.5(d) and 5878.1(a), Welfare and Institutions Code.

13) Adopt section 3200.252 to read as follows:

[begin underline]**§ 3200.252. Prudent Reserve.**

“Prudent Reserve” means Local Mental Health Services Fund money held by a County for use as described in sections 5847(b)(7), (f), and 5892(b)(1) of the Welfare and Institutions Code.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(b)(7), 5847(f) and 5892(b)(1), Welfare and Institutions Code.[end underline]

14) Adopt section 3200.254.1 to read as follows:

[begin underline]**§ 3200.254.1. Redistributed Funds.**

“Redistributed Funds” means monies from the Reversion Account that the State Controller distributes to other counties as specified in sections 5892(h)(1) and 5899.1(a) of the Welfare and Institutions Code.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(h) and 5899.1(a), Welfare and Institutions Code.[end underline]

15) Adopt section 3200.257 to read as follows:

[begin underline]**§ 3200.257. Reversion Account.**

“Reversion Account” means an account within the Mental Health Services Fund to hold funds reverted from counties pursuant to sections 3420.50, 3420.55 and 3420.60.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 5892(h)(1), Welfare and Institutions Code.[end underline]

16) Adopt section 3200.258 to read as follows:

[begin underline]**§ 3200.258. Reversion Period.**

“Reversion Period” means the length of time a County has to spend its Local Mental Health Services Fund money before the funds become subject to reversion. The length of time varies depending on a County’s population and the component account to which the County allocates the money, as provided in sections 3420.50, 3420.55 and 3420.60.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 5892(h), Welfare and Institutions Code.[end underline]

17) Amend section 3200.260 to read as follows:

**§ 3200.260. Small County.**

“Small County” means a ~~county~~C~~e~~ county in California with a total population of less than 200,000, according to the most recent ~~projection~~ estimate by the California State Department of Finance, as of the first day of the fiscal year.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 5892(h)(3) and (4), Welfare and Institutions Code ~~9 CCR Section 1754~~.

18) Adopt section 3200.323 to read as follows:

[begin underline]**§ 3200.323. Workforce Education and Training Account or WET Account.**

“Workforce Education and Training Account” or “WET Account” means the money in a County’s Local Mental Health Services Fund that the County allocates for Workforce Education and Training as described in Article 8, or transfers from the CSS Account for Workforce Education and Training as described in Article 8.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(1), 5892(b) and 5892(f), Welfare and Institutions Code.[end underline]



#### Article 4. Funding Provisions

19) Adopt Section 3420 to read as follows:

[begin underline]**§ 3420. Local Mental Health Services Fund: Allocation and Expenditure Requirements.**

(a) Each County shall establish a Local Mental Health Services Fund.

(b) Each County shall allocate funds distributed by the State Controller into the County's Local Mental Health Services Fund, other than Redistributed Funds, on the following percentage bases:

(1) Five (5) percent to the INN Account.

(2) Nineteen (19) percent to the PEI Account, pursuant to the application of Welfare and Institutions Code section 5892(a)(6).

(3) Seventy-six (76) percent to the CSS Account.

(c) Each County shall allocate Redistributed Funds as specified by the Department in accordance with Welfare and Institutions Code section 5899.1(a).

(d) Each County shall spend:

(1) CSS Account monies only on programs and services described in Article 6, except for funds transferred pursuant to sections 3420.10 and 3420.15.

(2) PEI Account monies only on programs and services described in Article 7.

(3) INN Account monies only on projects described in Article 9.

(4) WET Account monies only on programs described in Article 8.

(5) CFTN Account monies only on Capital Facilities or Technological Needs.

(e) Each County shall spend the funds identified in subsection (d) in accordance with the County's currently adopted Three-Year Program and Expenditure Plan or annual update or updates pursuant to sections 3310 and 3315.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5890(a), 5891(a), 5891(d), 5892(a)(3), 5892(a)(5) and (6), 5892(b), 5892(f), 5892(g), 5892(h) and 5899.1(a), Welfare and Institutions Code.[end underline]

20) Adopt section 3420.10 to read as follows:

§ 3420.10. Community Services and Supports (CSS) Account Transfers to Prudent Reserve, CFTN Account and WET Account.

(a) A County may transfer funds only from its CSS Account into its Prudent Reserve, CFTN Account, and/or WET Account. All transfers shall meet the following requirements:

(1) For each fiscal year, a County may only transfer into its Prudent Reserve, CFTN Account, WET Account, or any combination of the three, up to twenty (20) percent of the average amount of the total funds, including Redistributed Funds, which the State Controller distributed to the County's Local Mental Health Services Fund over the previous five (5) fiscal years. The calculation for this twenty (20) percent shall be as follows:

(A) Add the total funds, including Redistributed Funds, which the State Controller distributed to the County's Local Mental Health Services Fund over the previous five (5) fiscal years.

(B) Divide the result in paragraph (A) above by five (5); and,

(C) Multiply the result in paragraph (B) above by twenty (20) percent.

(2) The County shall not transfer funds from the CSS Account into its Prudent Reserve, CFTN Account, and/or WET Account during the same fiscal year in which the County transfers funds from its Prudent Reserve into its CSS Account, pursuant to section 3420.35.

(3) Before a County transfers funds from its CSS Account into its Prudent Reserve, CFTN Account, or WET Account, the County shall include the proposed transfer and use of the funds in its Three-Year Program and Expenditure Plan or annual update or updates pursuant to sections 3310 and 3315.

(b) A County's transfer of funds from the CSS Account to its CFTN Account or WET Account is irrevocable; the County shall not return such funds to its CSS Account.

(c) If in a fiscal year a County's Prudent Reserve falls below the minimum funding level as calculated pursuant to section 3420.30(b), in each subsequent fiscal year in which the conditions in section 3420.35(a)(1) and (a)(2) are not met, the County shall transfer a minimum of twenty percent (20%) of the amount of the County's minimum funding level until the minimum funding level in the County's Prudent Reserve is met. The amount transferred to the Prudent Reserve in each fiscal year pursuant to this subsection shall not exceed the total amount as calculated in subsection (a)(1).

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(a), 5847(b)(5)-(7), 5847(e), 5848(a), 5848(b), 5891(d), 5892(b), 5892(g) and 5892(h)(1) and (3), Welfare and Institutions Code.[end underline]

21) Adopt section 3420.15 to read as follows:

[begin underline]§ 3420.15. Community Services and Supports (CSS) Account  
Transfer to Prevention and Early Intervention (PEI) Account.

(a) A County may transfer funds from its CSS Account to its PEI Account if, before transferring the funds, the County first complies with subsections (b) and (c), and then obtains approval from the Department to transfer the funds to be expended as described in subsections (d) and (e).

(b) A County shall include a description of the proposed transfer in its Three-Year Program and Expenditure Plan, annual update, or updates in accordance with sections 3310 and 3315. The description of the proposed transfer shall include the information in subsection (d) and may include an alternative plan for the expenditure of the CSS Account monies should the Department deny the request for transfer, in addition to any other information required by section 3310.

(c) A County's Board of Supervisors shall adopt the Three-Year Program and Expenditure Plan, annual update, or updates describing the proposed transfer of funds to the PEI Account.

(d) A County shall submit documentation by email to the Department at MHSA@dhcs.ca.gov that demonstrates how increasing the County's PEI Account expenditure will decrease the need and cost for additional services to severely mentally ill persons in the County by at least the same amount as the proposed increase. The County shall submit the following information:

(1) Name of the PEI Program(s).

(2) Total amount of CSS Account monies requested for the PEI Program(s) by Fiscal Year.

(3) A description of the PEI Program(s).

(4) Data that demonstrates the increase in PEI services shall decrease the need for additional services to severely mentally ill persons in the County.

(5) Data that demonstrates the increase in PEI Account expenditures shall decrease the cost for additional services to severely mentally ill persons in the County.

(6) The fiscal years for which the County requests the transfer of funds.

(7) The number of fiscal years that it will take the County to achieve a decrease in the need and cost for additional services to severely mentally ill persons in the County.

(e) The Department shall provide written notice to a County either approving or denying a County's request to transfer funds from its CSS Account to its PEI Account within forty-five (45) calendar days of receipt of the information required in subsection (d). A notice denying the County's request to transfer funds from its CSS Account to its PEI Account shall include the reasons for the Department's decision.

(f)(1) A County may appeal the Department's denial of a request to transfer funds from its CSS Account to its PEI Account. The appeal shall include an explanation stating the basis for the appeal and supporting documentation. The appeal shall be submitted by the County to the Department, by email to MHSa@dhcs.ca.gov, within thirty (30) calendar days of the date on the notice specified in subsection (e).

(2) The Department shall only consider the original request as specified in subsection (d) during the review of the County's appeal.

(g) The Department shall provide written notice to a County either approving or denying a County's appeal within forty-five (45) calendar days of receipt of the appeal. A notice denying the County's appeal shall include the reasons for the Department's decision.

(h) If the request is approved by the Department, the County shall include data in its Three-Year Program and Expenditure Plan, annual update, or updates to demonstrate the effectiveness of the PEI Program or services in decreasing the need and cost for additional services for each fiscal year that the Department approves the County to transfer CSS Account monies to the PEI Account.

(i) If the request is denied by the Department the County shall update its next Three-Year Program and Expenditure Plan, annual update, or update to reflect the denial.

(j) A County shall report any transfers from its CSS Account to its PEI Account in its Annual Mental Health Services Act Revenue and Expenditure Report, pursuant to section 3510.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(a), 5847(b)(1)-(3), 5847(e), 5848(a), 5848(b), 5891(d), 5892(a)(4), 5892(g), 5899(a), 5899(b), 5899(c)(1), 5899(d)(1) and (2) and 5899(d)(5), Welfare and Institutions Code.[end underline]

22) Adopt section 3420.20 to read as follows:

[begin underline]**§ 3420.20. Local Mental Health Services Fund Transfers to Joint Powers Authority (JPA).**

(a) A County may transfer funds from its Local Mental Health Services Fund to a joint powers authority (JPA) formed pursuant to Government Code section 6500 et seq., if before transferring funds:

(1) The County includes a description of the proposed transfer in its Three-Year Program and Expenditure Plan, annual update, or updates in accordance with sections 3310 and 3315. The description shall identify the source of the transfer, which may include the County's CSS Account, PEI Account, INN Account, WET Account, or CFTN Account; and

(2) The County's Board of Supervisors adopts the Three-Year Program and Expenditure Plan, annual update, or updates, describing the proposed transfer of funds to a JPA.

(b) A County shall ensure that the JPA spends all of its funds in compliance with the County's Three-Year Program and Expenditure Plan, annual update, or updates, as adopted by the County's Board of Supervisors.

(c) A County shall report on its Annual MHSR Revenue and Expenditure Report each transfer of funds from the Local Mental Health Services Fund to the JPA, each of the JPA's expenditures of the funds, and each Investment Gain on the funds, in accordance with section 3510.



(d) A County shall ensure that the JPA spends all of its funds within the timeframes specified in sections 3420.50, 3420.55 and 3420.60 to avoid the reversion of funds to the Mental Health Services Fund. The Reversion Period for funds a County transfers to a JPA shall begin the first fiscal year in which the State Controller distributes the money into the Local Mental Health Services Fund. Funds a County transfers to a JPA are expended when the JPA spends the funds for the authorized purpose described in the County's Three-Year Program and Expenditure Plan, annual update or update. If a JPA fails to spend funds within the applicable Reversion Period the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(e) A County shall ensure that a JPA in which the County participates:

(1) Invests the County's funds consistent with how the County invests its other funds; and

(2) Makes any Investment Gain earned from the County's funds during a fiscal year available for expenditure by the County during that same fiscal year. Any Investment Gain shall be subject to reversion if not spent within the specified timeframes pursuant to sections 3420.50, 3420.55, and 3420.60. The first fiscal year of the Reversion Period shall be the year the JPA made the Investment Gain available for expenditure by the County.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(a), 5847(b), 5847(e), 5848(a), 5848(b), 5891(d), 5892(f), 5892(g), 5892(h), 5897(b), 5899(c)(1)-(4) and 5899(d), Welfare and Institutions Code.[end underline]

23) Adopt section 3420.30 to read as follows:

[begin underline]§ **3420.30. Prudent Reserve Funding Levels.**

(a) A County shall fund its Prudent Reserve only with funds transferred from its CSS Account pursuant to section 3420.10.

(b) A County shall fund its Prudent Reserve at a minimum level of five (5) percent and a maximum level of thirty-three (33) percent of the average amount the County allocated to its CSS Account, pursuant to section 3420, over the previous five (5) fiscal years. The calculation for the minimum and maximum funding levels percentage shall be as follows:

(1) Add the total funds allocated to the County's CSS Account over the previous five (5) fiscal years.

(2) Divide the amount in subsection (b)(1) by five (5); and,

(3) Multiply the amount in subsection (b)(2) by five (5) percent to determine the minimum level, and multiply the amount in subsection (b)(2) by thirty-three (33) percent to determine the maximum level.

(c) A County shall assess its Prudent Reserve funding level as of July 1, 2019 and include the assessment in the County's Three-Year Program and Expenditure Plan or annual update for the 2019-20 Fiscal Year pursuant to sections 3310 and 3315. The assessment shall include the maximum funding level and the actual funding level of the County's Prudent Reserve as of July 1, 2019.

(d) A County shall reassess its Prudent Reserve funding levels as of July 1, 2024, and as of July 1 every five (5) fiscal years thereafter and include the

reassessment in the applicable County Three-Year Program and Expenditure Plan pursuant to sections 3310 and 3315. The reassessment shall include the minimum and maximum funding levels and the actual funding level of the County's Prudent Reserve. A County may reassess its Prudent Reserve funding levels more frequently.

(e) A County shall submit a complete Mental Health Services Act Prudent Reserve Assessment/Reassessment form DHCS 1819 (02/19), hereby incorporated by reference, to the Department by email at MHSa@dhcs.ca.gov when submitting a County's Three Year Program and Expenditure Plan or annual update, beginning in fiscal year 2019-2020 and every five (5) fiscal years thereafter and during any other fiscal year a County assesses its Prudent Reserve levels.

(f) A County shall maintain a Prudent Reserve balance that does not exceed the maximum funding level as the County determined in its most recent assessment or reassessment, pursuant to subsections (c) and (d).

(g) A County shall transfer funds in excess of the County's maximum funding level into its CSS Account during fiscal year 2019-2020 and during each subsequent fiscal year in which the County reassesses its Prudent Reserve funding level pursuant to subsection (d). A County may transfer funds from its CSS Account to its CFTN Account, WET Account, PEI Account or JPA, pursuant to sections 3420.10, 3420.15 and 3420.20 during the same fiscal year in which the County transfers funds from its Prudent Reserve to its CSS Account pursuant to this subsection.

(h) A County that transferred funds from its PEI Account to its Prudent Reserve in fiscal year 2007-08 may transfer funds in excess of the County's maximum funding level into its PEI Account during fiscal year 2019-20, and during each subsequent fiscal year

in which the County reassesses its Prudent Reserve funding level pursuant to subsection (d). A County may transfer funds from its Prudent Reserve to its PEI Account until the amount transferred equals the amount the County transferred from its PEI Account to its Prudent Reserve in fiscal year 2007-08.

(i) Funds a County transfers into its CSS Account pursuant to subsection (g) shall be subject to reversion, as specified in sections 3420.50 and 3420.55, 3420.60, and the applicable Reversion Period for those funds shall begin the fiscal year the County transferred the funds from the Prudent Reserve to the CSS Account.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(b)(7), 5892(b) and 5892(h), Welfare and Institutions Code.[end underline]

24) Adopt section 3420.35 to read as follows:

[begin underline]**§ 3420.35. Prudent Reserve Transfers to CSS Account and PEI Account.**

(a) A County may transfer funds from its Prudent Reserve into its CSS Account and/or PEI Account in a year in which the condition in paragraph (1) is met. A County shall transfer funds from its Prudent Reserve into its CSS Account in a year in which the conditions in paragraph (2) are met. These transfers shall be permissible even when it results in a County's Prudent Reserve falling below the minimum funding level as calculated pursuant to section 3420.30(b).

(1) The Department determines revenues for the Mental Health Services Fund are below the average of the five (5) previous fiscal years adjusted by changes in the state population and the California Consumer Price Index.

(2) The County's projected allocation of funds for the CSS Account is not sufficient to continue to serve the same number of individuals the County served in the previous fiscal year under the following CSS service categories: Full Service Partnership, General System Development, and Outreach and Engagement. A County shall base the County's projected allocation of funds for the CSS Account on the total projected revenue for the Mental Health Services Fund, as reported in the Governor's Budget - HHS 1, State Department of Health Care Services, Fund Condition Statements found at <http://www.ebudget.ca.gov>.

(A) A County, at the beginning of each fiscal year, shall determine the number of children, adults, and seniors the County served under the CSS service categories

specified in paragraph (2) during the previous fiscal year and project the cost of serving the same number of children, adults, and seniors under the CSS service categories specified in paragraph (2) in the current fiscal year.

(B) A County shall transfer funds from its Prudent Reserve to its CSS Account in the amount of the difference between the projected allocation of funds and the projected cost of services, if the projected cost of services is greater than the projected allocation of funds pursuant to section 3420(b)(3). If the balance of the Prudent Reserve is less than the difference between the projected allocation of funds and the projected cost, the County shall transfer the entire balance of funds in the Prudent Reserve to the CSS Account. The County's projected allocation of funds for the CSS Account shall be based on the total projected revenue for the Mental Health Services Fund, as reported in the Governor's Budget - HHS 1, State Department of Health Care Services, Fund Condition Statements found at <http://www.ebudget.ca.gov>.

(3) A County shall maintain records that support the determination and process described in paragraphs (1) and (2).

(b) If a County transfers funds from the Prudent Reserve, the County shall include the transfer, including the component account(s) receiving the transfer and the amount transferred from the Prudent Reserve, in its next Three-Year Program and Expenditure Plan, annual update, or updates pursuant to sections 3310 and 3315.

(c) A County shall not transfer funds from the CSS Account into its PEI Account, CFTN Account or WET Account during the same fiscal year in which the County transfers funds from its Prudent Reserve into its CSS Account pursuant to this section.

(d) A County shall report on the Annual MHSA Revenue and Expenditure Report each transfer of funds from the Prudent Reserve into the CSS Account or the PEI Account.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5847(b)(7), 5847(f), 5848, 5891(d), 5892(b), 5892(g), 5899(a), 5899(c)(1), 5899(d)(1) and (2) and 5899(d)(5), Welfare and Institutions Code.[end underline]

25) Adopt section 3420.40 to read as follows:

[begin underline]§ **3420.40. County Investments.**

(a) A County shall invest funds distributed to its Local Mental Health Services Fund consistent with other county investments.

(b) A County shall transfer any Investment Gain earned during a fiscal year into the Local Mental Health Services Fund during the same fiscal year.

(c) A County shall allocate any Investment Gain or Investment Loss to the component account containing the principal upon which the Investment Gain or Investment Loss accrued during the fiscal year in which the Investment Gain or Investment Loss occurred.

(d) A County shall allocate any Investment Gain or Investment Loss on Prudent Reserve funds to the CSS Account during the fiscal year in which the Investment Gain or Investment Loss occurred.

(e) A County shall spend any Investment Gain within the timeframes specified in sections 3420.50, 3420.55 and 3420.60.

(f) A County shall report in the Annual MHSA Revenue and Expenditure Report any Investment Gain or Investment Loss by component account.

Note: Authority cited: Section 5898 Welfare and Institutions Code. Reference: Sections 5892(b), 5892(f), 5892(h), 5899(c)(3) and 5899(d), Welfare and Institutions Code.[end underline]



26) Adopt Section 3420.45 to read as follows:

[begin underline]**§ 3420.45. Maintenance of Records.**

(a) A County and a joint powers authority that receives funds from a County pursuant to section 3420.20 shall maintain records in accordance with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) standards, and the State Controller's Manual of Accounting Standards and Procedures for Counties, except for receipts and expenditures for the Capital Facilities and Technological Needs component, which shall be maintained using the cash basis of accounting that recognizes expenditures at the time payment is made.

(b) A County shall maintain records of all revenue sources and revenue amounts deposited into its Local Mental Health Services Fund.

(c) A County shall maintain records of all allocations from its Local Mental Health Services Fund into the CSS Account, PEI Account, and INN Account.

(d) A County shall maintain records of all transfers from the CSS Account, PEI Account, INN Account, WET Account, and CFTN Account.

(e) A County shall maintain records of all transfers from the Prudent Reserve.

(f) A County shall maintain records of all transfers from the Local Mental Health Services Fund into a County investment.

(g) A County shall maintain records of each Investment Gain and Investment Loss by Account.

(h) A County shall maintain records of all transfers of principal and Investment Gain from a County investment into the Local Mental Health Services Fund.

(i) A County shall maintain records of all expenditures of Mental Health Services Act funds by fiscal year and by component account.

(j) A County shall maintain records of the number of children, adults, and seniors who received CSS and PEI services during each fiscal year.

(k) A County shall maintain records of the number of veterans and the amount of funds spent on mental health services for veterans during each fiscal year.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 30200, Government Code; and Sections 5847(b)(7), 5847(e), 5847(f), 5890(d), 5891(a), 5891(d), 5892(a), 5892(b), 5892(g), 5892(h), 5899(a), 5899(c), 5899(d) and 5899(f), Welfare and Institutions Code.[end underline]

27) Adopt Section 3420.50 to read as follows:

[begin underline]**§ 3420.50. Reversion for Counties with a Population of 200,000 or More: CSS Account, PEI Account, and INN Account.**

(a) This section applies to a County that has a population of 200,000 or more as determined by the Department. The Department shall provide counties with population data by July 1 each year. A County's population for a fiscal year shall be based on the Department of Finance county population estimates data as of January 1 of the previous fiscal year, as reported in State of California, Department of Finance, E-1, Population Estimates for, Cities, Counties, and the state Population Estimates with Annual Percent Change.

(b) Unless transferred into the Prudent Reserve, the CFTN Account, or the WET Account pursuant to section 3420.10, a County shall spend CSS Account monies within three (3) fiscal years of receiving those funds from the State Controller, or within three (3) fiscal years of transferring funds from the Prudent Reserve to its CSS Account pursuant to sections 3420.30(g) or 3420.35. In determining the three (3) fiscal year period, the fiscal year in which the State Controller distributes CSS funds to the County, or the fiscal year in which the County transfers funds from the Prudent Reserve to its CSS Account pursuant to sections 3420.30(g) or 3420.35, shall be the first fiscal year. If a County fails to spend such funds within three (3) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(c) A County shall spend funds received from the CalHFA within three (3) fiscal years of receiving the money. In determining the three (3) fiscal year period, the

fiscal year in which CalHFA returns the money to the County shall be the first fiscal year. If a County fails to spend such funds within three (3) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(d) A County shall spend PEI Account monies, including funds a County transferred from its CSS Account to its PEI Account pursuant to Section 3420.15, within three (3) fiscal years of receiving those funds from the State Controller, or within three (3) fiscal years of transferring funds from the Prudent Reserve to its PEI Account pursuant to sections 3420.30(h) or 3420.35(a)(1). In determining the three (3) fiscal year period, the fiscal year in which the State Controller distributes PEI funds to the County, or the fiscal year in which the County transfers funds from the Prudent Reserve to its PEI Account pursuant to sections 3420.30(h) or 3420.35(a)(1), shall be the first fiscal year. If a County fails to spend such funds within three (3) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(e) Within three (3) fiscal years of receiving INN Account monies from the State Controller, a County shall identify the INN Account monies in the budget of an Innovative Project Plan as specified in Section 3930(d) and obtain approval from the Mental Health Services Oversight and Accountability Commission for the Innovative Project Plan. In determining the three (3) fiscal year period, the fiscal year in which the State Controller distributes the funds to the County shall be the first fiscal year. If a County fails to identify INN Account monies in the budget of an Innovative Project Plan and obtain approval of that Plan from the Mental Health Services Oversight and

Accountability Commission within three (3) fiscal years those funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(f)(1) A County shall spend INN Account monies during the period the monies are encumbered under the terms of an Innovative Project Plan or within three (3) fiscal years of receiving approval for the Innovative Project Plan, whichever is later. In determining the three (3) fiscal year period, the fiscal year in which the Mental Health Services Oversight and Accountability Commission initially approved the Innovative Project Plan shall be the first fiscal year. If a County fails to spend such funds by the later of these two periods, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(2) INN Account monies identified in the budget of an Innovative Project Plan shall be considered encumbered. INN Account monies shall remain encumbered for the fiscal years and in the amounts identified in the budget of the Innovative Project Plan. Any amendment to an Innovative Project Plan that extends the time period of the Innovative Project, or changes the amount of funds in the budget of the Innovative Project, which is approved by the Mental Health Services Oversight Accountability Commission, shall extend the period or change the amount of funds encumbered under the Innovative Project Plan. INN Account monies shall no longer be encumbered under an Innovative Project Plan effective the date a County terminates the Innovative Project pursuant to Section 3910.020.

(3) If the period of time INN Account monies are encumbered, under the terms of an Innovative Project Plan, concludes before the end of the three (3) fiscal year period, or the County terminates an Innovative Project pursuant to section 3910.020 before the

end of the three (3) fiscal year period, a County may reassign any unspent funds to another Innovative Project pursuant to Article 9. The County shall spend reassigned funds within three (3) fiscal years. In determining the three (3) fiscal year period, the fiscal year in which the Mental Health Services Oversight and Accountability Commission approved the initial Innovative Project Plan shall be the first fiscal year. If a County fails to spend reassigned funds within these three (3) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(g) A County shall spend any Investment Gain within three (3) years of depositing the Investment Gain into its Local Mental Health Services Fund pursuant to Section 3420.40. In determining the three (3) fiscal year period, the fiscal year in which the County deposits the Investment Gain into its Local Mental Health Services Fund shall be the first fiscal year. If a County fails to spend such funds within three (3) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(h) A County shall spend CSS Account, PEI Account, and INN Account monies for authorized purposes, as specified in section 3420. Any CSS Account, PEI Account, and INN Account monies spent for unauthorized purposes shall be subject to reversion.

(i) Funds the Department withholds from a County pursuant to section 3510.005 shall be considered revenue at the time the funds would have been distributed to the County had they not been withheld. A withhold shall not extend the length of time that a County has to spend Local Mental Health Services Fund monies before the funds are subject to reversion.

(j) This section shall apply to Mental Health Services Fund monies the State Controller distributed to a County, including Redistributed Funds, monies CalHFA returned to a County and Investment Gain, during fiscal year 2015-2016 and in subsequent fiscal years.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections, 5892(a)(3), 5892(a)(6), 5892(b), 5892(f)-(h)(2), 5892.5(b) and 5899.1(a), Welfare and Institutions Code.[end underline]

28) Adopt section 3420.55 to read as follows:

§ 3420.55. Reversion for Counties with a Population of Less than 200,000: CSS Account, PEI Account, and INN Account.

(a) This section applies to a County with a population of less than 200,000 as determined by the Department. The Department shall provide counties with population data by July 1 each year. A County's population for a fiscal year shall be based on the Department of Finance county population estimates data as of January 1 of the previous fiscal year, as reported in State of California, Department of Finance, E-1, Population Estimates for, Cities, Counties, and the State Population Estimates with Annual Percent Change.

(b) Unless transferred into the Prudent Reserve, the CFTN Account, or the WET Account pursuant to section 3420.10, a County shall spend CSS Account monies within five (5) fiscal years of receiving those funds from the State Controller, or within five (5) fiscal years of transferring funds from the Prudent Reserve to its CSS Account pursuant to sections 3420.30(g) or 3420.35. In determining the five (5) fiscal year period, the fiscal year in which the State Controller distributes CSS funds to the County, or the fiscal year in which the County transfers funds from the Prudent Reserve to its CSS Account pursuant to sections 3420.30(g) or 3420.35, shall be the first fiscal year. If a County fails to spend such funds within five (5) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.



(c) A County shall spend funds received from the CalHFA within five (5) fiscal years of receiving the money. In determining the five (5) fiscal year period, the fiscal year in which CalHFA returns the money to the County shall be the first fiscal year. If a County fails to spend such funds within five (5) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(d) A County shall spend PEI Account monies, including funds a County transferred from its CSS Account to its PEI Account pursuant to Section 3420.15, within five (5) fiscal years of receiving those funds from the State Controller, or within five (5) fiscal years of transferring funds from the Prudent Reserve to its PEI Account pursuant to sections 3420.30(h) or 3420.35(a)(1). In determining the five (5) fiscal year period, the fiscal year in which the State Controller distributes PEI funds to the County, or the fiscal year in which the County transfers funds from the Prudent Reserve to its PEI Account pursuant to section 3420.30(h) or 3420.35(a)(1), shall be the first fiscal year. If a County fails to spend such funds within five (5) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(e) Within five (5) fiscal years of receiving INN Account monies from the State Controller, a County shall identify the INN Account monies in the budget of an Innovative Project Plan as specified in Section 3930(d) and obtain approval from the Mental Health Services Oversight and Accountability Commission for the Innovative Project Plan. In determining the five (5) fiscal year period, the fiscal year in which the State Controller distributes the funds to the County shall be the first fiscal year. If a County fails to identify INN Account monies in the budget of an Innovative Project Plan

and obtain approval of that Plan from the Mental Health Services Oversight and Accountability Commission within five (5) fiscal years those funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(f)(1) A County shall spend INN Account monies during the period the monies are encumbered under the terms of an Innovative Project Plan or within five (5) fiscal years of receiving approval for the Innovative Project Plan, whichever is later. In determining the five (5) fiscal year period, the fiscal year in which the Mental Health Services Oversight and Accountability Commission initially approved the Innovative Project Plan shall be the first fiscal year. If a County fails to spend such funds by the later of these two periods, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(2) INN Account monies identified in the budget of an Innovative Project Plan shall be considered encumbered. INN Account monies shall remain encumbered for the fiscal years and in the amounts identified in the budget of the Innovative Project Plan. Any amendment to an Innovative Project Plan that extends the time period of the Innovative Project, or changes the amount of funds in the budget of the Innovative Project, which is approved by the Mental Health Services Oversight Accountability Commission, shall extend the period or change the amount of funds encumbered under the Innovative Project Plan. INN Account monies shall no longer be encumbered under an Innovative Project Plan effective the date a County terminates the Innovative Project pursuant to Section 3910.020.

(3) If the period of time INN Account monies are encumbered, under the terms of an Innovative Project Plan, concludes before the end of the five (5) fiscal year period, or

the County terminates an Innovative Project pursuant to section 3910.020 before the end of the five (5) fiscal year period, a County may reassign any unspent funds to another Innovative Project pursuant to Article 9. The County shall spend reassigned funds within five (5) fiscal years. In determining the five (5) fiscal year period, the fiscal year in which the Mental Health Services Oversight and Accountability Commission approved the initial Innovative Project Plan shall be the first fiscal year. If a County fails to spend reassigned funds within these five (5) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(g) A County shall spend Investment Gain within five (5) years of depositing the Investment Gain into its Local Mental Health Services Fund pursuant to Section 3420.40. In determining the five (5) fiscal year period, the fiscal year in which the County deposits the Investment Gain into its Local Mental Health Services Fund shall be the first fiscal year. If a County fails to spend such funds within five (5) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(h) A County shall spend CSS Account, PEI Account, and INN Account monies for authorized purposes, as specified in Section 3420. Any CSS Account, PEI Account, and INN Account monies spent for unauthorized purposes shall be subject to reversion.

(i) Funds the Department withholds from the County pursuant to section 3510.005 shall be considered revenue at the time the funds would have been distributed to the County had they not been withheld. A withhold shall not extend the length of time that a County has to spend Local Mental Health Services Fund monies before the funds are subject to reversion.

(j) This section shall apply to Mental Health Services Fund monies the State Controller distributed to a County, including Redistributed Funds, monies CalHFA returned to a County and Investment Gain, during fiscal year 2015-2016 and in subsequent fiscal years.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(a)(3)-(6), 5892(b), 5892(f), 5892(g), 5892(h)(1), 5892(h)(3) and (4), 5892.5(b) and 5899.1(a), Welfare and Institutions Code.[end underline]

29) Adopt section 3420.60 to read as follows:

[begin underline]**§ 3420.60. Reversion for All Counties: CFTN Account and WET Account.**

(a) A County shall spend CFTN Account and WET Account monies, including funds transferred from its CSS Account to its CFTN Account or WET Account pursuant to Section 3420.10 within ten (10) fiscal years of receiving those funds from the State Controller or within ten (10) fiscal years of transferring funds from the Prudent Reserve to its CSS Account pursuant to section 3420.30(g). In determining the ten (10) fiscal year period, the fiscal year in which the State Controller distributes CSS funds to the County, or the fiscal year in which the County transfers funds from the Prudent Reserve to its CSS Account pursuant to section 3420.30(g), shall be the first fiscal year. If a County fails to spend such funds within ten (10) fiscal years, the funds shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(b) CFTN Account monies that a County uses to purchase an asset shall be considered spent when the County purchases the asset, pursuant to Section 3420.45(a).

(c) A County shall spend CFTN Account and WET Account monies for authorized purposes as specified in section 3420. Any CFTN Account and WET Account monies spent for unauthorized purposes shall be subject to reversion.

(d) This section shall apply to Mental Health Services Fund monies the State Controller distributed to a County during fiscal year 2008-09 and subsequent fiscal years.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(h)(1) and 5899.1(a), Welfare and Institutions Code.[end underline]

30) Adopt section 3420.65 to read as follows:

[begin underline]**§ 3420.65. Notice to Counties of Reversion Amounts and Appeal Process.**

(a) Within thirty (30) calendar days of receipt of a complete and accurate Annual MHSA Revenue and Expenditure Report, as specified in section 3510, the Department shall determine and mail notice to the County of the amount of funds that are subject to reversion. The notice shall include a schedule of the County's funds subject to reversion by component account and the data from the County's Annual MHSA Revenue and Expenditure Reports that the Department used to determine the amounts subject to reversion.

(b) To appeal the Department's determination, a County shall submit an appeal to the Department by email to [MHSA@dhcs.ca.gov](mailto:MHSA@dhcs.ca.gov) within thirty (30) calendar days of receiving the notice. The appeal shall include all of the following:

(1) A complete Mental Health Services Act Adjustments to Revenue or Expenditure Summary Worksheet, DHCS 1821 (02/19), hereby incorporated by reference; and

(2) An executed Annual MHSA Revenue and Expenditure Report and Adjustment Worksheet County Certification, DHCS 1820 (02/19), hereby incorporated by reference.

(c) Within forty-five (45) calendar days of receipt of an appeal, the Department shall notify the County of either approval or disapproval of the appeal and the reasons for the decision.

(d) If an appeal is not received within thirty (30) calendar days of receiving the notice from the Department or all of the required items in subsection (b) are not included, the funds identified in the notice shall revert to the Mental Health Services Fund for deposit into the Reversion Account.

(e) The amount of County Local Mental Health Service Fund monies that are reverted in a fiscal year shall be subject to change as a result of a Department audit.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(h), 5899(a), 5899(c)(4) and 5899.1(a), Welfare and Institutions Code.[end underline]



## Article 5. Reporting Requirements

31) Amend Section 3510 to read as follows:

### § 3510. Annual MHSA Revenue and Expenditure Report.

~~[begin strikeout](a) The County shall submit to the Department an Annual Mental Health Services Act (MHSA) Revenue and Expenditure Report. The Annual MHSA Revenue and Expenditure Report shall include, but not be limited to, the following:~~

~~(1) Administration Expenditures: The County shall report the actual total expenditures incurred and the revenues received for MHSA administration during the reporting fiscal year.~~

~~(A) The report shall include system-wide one-time costs that cannot be assigned to a specific program.~~

~~(2) Program Expenditures: The County shall report the actual total expenditures incurred by service or funding category and revenues received during the reporting fiscal year and complete a separate Program Revenue and Expenditure Report for each program funded through the County MHSA Performance Contract.~~

~~(A) The report shall include one-time costs associated with a specific program.~~

~~(3) One-Time Expenditures: The County shall report the amount approved in the County MHSA Performance Contract, and the actual total expenditures incurred during the reporting fiscal year, for each approved One-Time Expenditure listed in the County Performance Contract.~~

~~(A) The One-Time Expenditures shall also be included as either Program Expenditures or Administration Expenditures.~~

~~(4) MHSA Funds: The County shall report MHSA funds received from the Department and interest income earned during the reporting fiscal year.~~

~~(b) The County shall submit the Annual MHSA Revenue and Expenditure Report no later than December 31 following the end of the fiscal year.~~

~~(c) If the County does not submit the Annual MHSA Revenue and Expenditure Report by the required deadline, the Department may withhold MHSA funds.[end  
strikeout]~~

[begin underline](a) Each County receiving a direct distribution of Mental Health Services Fund monies from the State Controller shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report to the Department by email at MHSA@dhcs.ca.gov and to the Mental Health Services Oversight and Accountability Commission at MHSOAC@mhsoac.ca.gov, by January 31, following the end of the reporting fiscal year.

(b) The Annual MHSA Revenue and Expenditure Report shall include the following:

(1) Information Worksheet, DHCS 1822 A (02/19), hereby incorporated by reference.

(2) Component Summary Worksheet, DHCS 1822 B (02/19), hereby incorporated by reference.

(3) Community Services and Supports (CSS) Summary Worksheet, DHCS 1822 C (02/19), hereby incorporated by reference.

(4) Prevention and Early Intervention (PEI) Summary Worksheet, DHCS 1822 D (02/19), hereby incorporated by reference.

(5) Innovation (INN) Summary Worksheet, DHCS 1822 E (02/19), hereby incorporated by reference.

(6) Workforce Education and Training (WET) Summary Worksheet, DHCS 1822 F (02/19), hereby incorporated by reference.

(7) Capital Facility Technological Needs (CFTN) Summary Worksheet, DHCS 1822 G (02/19), hereby incorporated by reference.

(8) MHSA Adjustments Worksheet, DHCS 1822 H (02/19), hereby incorporated by reference.

(9) FFP Revenue Adjustment Worksheet, DHCS 1822 I (02/19), hereby incorporated by reference.

(10) Comments Worksheet, DHCS 1822 J (02/19), hereby incorporated by reference.

(11) Annual MHSA Revenue and Expenditure Report and Adjustment Worksheet County Certification Form, DHCS 1820 (02/19).[end underline]

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5610, 5612, 5664, 5801, [begin strikeout]5820 and [end strikeout]5860[begin underline], and 5899[end underline], Welfare and Institutions Code; and Section 3, MHSA.

32) Adopt Section 3510.005 to read as follows:

[begin underline]**§ 3510.005. Withhold for Failure to Timely Submit a Complete and Accurate Annual MHSA Revenue and Expenditure Report.**

(a) If a County does not submit an Annual MHSA Revenue and Expenditure Report pursuant to section 3510 by January 31, the Department shall send notification to the County Mental Health Director and the MHSA Coordinator by email within five (5) business days of January 31 that the report was not timely submitted.

(b) If a County provides an incomplete or inaccurate Annual MHSA Revenue and Expenditure Report pursuant to section 3510, as determined by the Department, the Department shall send notification to the County Mental Health Director and the MHSA Coordinator by email within fifteen (15) calendar days of January 31 that the report is incomplete or inaccurate and deemed not submitted.

(c) Within thirty (30) calendar days of the date of notification in subsection (a) or (b) the County shall submit a complete and accurate Annual MHSA Revenue and Expenditure Report to the Department.

(d) If the County does not submit a complete and accurate Annual MHSA Revenue and Expenditure Report to the Department within thirty (30) calendar days of the date of notification in subsection (a) or (b), the Department shall:

(1) Withhold twenty-five (25) percent of each monthly distribution to the County from the Mental Health Services Fund; and

(2) Inform the County Mental Health Director by email of the County's failure to comply with subsection (c) and of the twenty-five (25) percent withhold.

(e) Upon submission of a complete and accurate Annual MHPA Revenue and Expenditure Report, the Department shall release the funds withheld pursuant to subsection (d)(1), to the County.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Section 5899(e), Welfare and Institutions Code.[end underline]

33) Adopt Section 3510.030 to read as follows:

[begin underline]**§ 3510.030. Annual MHSA Revenue and Expenditure Report and Adjustment Worksheet Certification.**

Each County shall submit a complete and accurate Annual MHSA Revenue and Expenditure and Adjustment Worksheet County Certification form, DHCS 1820 (02/19), to the Department at [MHSA@dhcs.ca.gov](mailto:MHSA@dhcs.ca.gov) and to the Mental Health Services Oversight and Accountability Commission at [MHSOAC@mhsoac.ca.gov](mailto:MHSOAC@mhsoac.ca.gov), when submitting the Annual MHSA Revenue and Expenditure Report, pursuant to Section 3510.

Note: Authority cited: Section 5898, Welfare and Institutions Code. Reference: Sections 5892(h), 5899(a) and 5899.1(a), Welfare and Institutions Code.[end underline]