



## 2011 REALIGNMENT: MEDI-CAL SPECIALTY MENTAL HEALTH AND SUBSTANCE USE TREATMENT SERVICES

### FACT SHEET

DECEMBER 2011

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#### Introduction

The 2011-12 state budget signed by Governor Brown included the Governor's proposal to realign many public safety and health and human services to counties. Among these realigned programs are Medi-Cal Specialty Mental Health services and substance use treatment services (including Drug Medi-Cal). However, since AB 100 (Committee on Budget, Statutes of 2011) has provided funding for Medi-Cal Specialty Mental Health, including Early and Periodic Screening, Diagnosis and Treatment (EPSDT), for Fiscal Year (FY) 2011-12, these two programs are not realigned until FY 2012-13.

The primary vehicle for the 2011 Public Safety Realignment provisions is AB 118 (Committee on Budget, Statutes of 2011), which transfers the equivalent of \$5.559 million of annual state fiscal responsibilities for "public safety programs" to counties. This bill also creates the account structure and allocations for some of this funding, and dedicates 1.0625% of existing state sales tax revenue to fund these local costs in FY 2011-12. AB 118 establishes a reserve account should revenues come in higher than anticipated, and funds will be allocated from that reserve account to entitlement programs (i.e., Foster Care, Adoption Assistance, and Drug Medi-Cal). In the 2011 legislative session, the Legislature did not take action to provide the constitutional protections for 2011 realignment that counties were seeking. The Governor, however, has continued his commitment to constitutional protections and trailer bill language reinforced that commitment. The California State Association of Counties (CSAC) is currently working on qualifying a ballot initiative to secure these protections on California's November 2012 ballot.

AB 118 dedicates funding that was previously provided to the 1991 Mental Health Subaccount to the 1991 Social Services Account instead, for the purposes of paying an additional county share of California Work Opportunities and Responsibilities to Kids (CalWORKs) grant costs. The local mental health program costs supported by the 1991 realignment funds will instead be supported by revenue provided by the Mental Health Account within the Local Revenue 2011 Fund. Specifically, AB 118 requires the State Controller to allocate \$90.3 million per month (\$1.083.6 million per year) to the Mental Health Account in FY 2011-12. The total amount to be

transferred is approximately 5.9% higher than what we would have otherwise anticipated this fiscal year, absent the enactment of the 2011 Public Safety Realignment.

## **Summary of AB 118 Provisions**

- Creates the Local Revenue Fund 2011 in the State Treasury, and specifies the creation of a Mental Health Account to receive new tax revenues and other monies that may be specified. The fund is to be continuously appropriated.
- Requires that each county/city treasurer create a County Local Revenue Fund 2011, which shall be used exclusively for the Public Safety Services, as defined, including mental health and other services. The bill creates a state mandated local program.
- For FY 2011-12, the State Controller's Office (SCO) must allocate, on a monthly basis, a specified amount of revenues received in the Local Revenue Fund 2011 into the Mental Health Account and other specified accounts. For FY 2011-12, the amount specified for monthly deposit to the Mental Health Account is \$90.3 million. This amount is to fund the 1991 MH realignment obligations, starting in FY 2011-12, to implement the mental health realignment/CalWORKs fund swap.
- Should revenues exceed the specified allocations in FY 2011-12, a reserve account must be created and allocated to entitlement programs (Adoption Assistance, Foster Care, and Drug Medi-Cal).
- Sales tax provisions are specified for deposit into the Local Revenue Fund 2011, and any new revenues derived from any tax enacted after July 1, 2011 would be applied to reduce the amount required to be deposited under the existing 1.0625 % tax rate. This means that this tax source will be superseded by any new one that may come later, and could mean further changes to the amount or source if enacted through legislation or initiative.
- If the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs must be made. The bill also specifies, however, that the County Local Revenue 2011 Fund must first pay these costs, to the fullest extent possible.
- The bill states that it is the intent of the Legislature that new allocation formulas be developed using appropriate data and information for FY 2012-13. It also states that it is intended that sufficient protections be in place to provide ongoing funding and mandate protection for state and local government.
- The bill does not include mental health provisions related to the Medi-Cal Managed Care and EPSDT programs because these are funded in FY 2011-12 under AB 100, using diverted MHSA funds. Only the 1991 mental health realignment/CalWORKs swap is funded with the new dedicated tax revenues in FY 2011-12.

- The bill creates a Health and Human Services Account at the state level, with three Substance Use treatment subaccounts: a Drug Court Subaccount, a Non-Drug Medi-Cal Subaccount, and a Drug Medi-Cal Subaccount. The bill requires the SCO to deposit a specific percentage of the dedicated sales tax revenues to each of these subaccounts.
- The bill creates a Reserve Account for sales tax growth, and specifies that one of the uses for these funds would be the Substance Abuse treatment entitlement programs.
- The Substance Use treatment program realignment and subaccount structures are specified for implementation in FY 2011-12.

## **Financing Changes**

The financing provisions for the FY 2011-12 1991 Mental Health Realignment/CalWORKs revenue swap are specified in AB 118, as summarized above. CMHDA developed and submitted a proposed county distribution methodology and spreadsheet for the distribution of funds, which was approved and adopted by the California Department of Finance (DOF) and the SCO. The Administration has also identified proposed amounts to be allocated from the dedicated sales tax revenues for realigned mental health programs and the 1991 revenue swap for FY 2012-13 and beyond, but these are not specified in AB 118.

The substance use disorder treatment program financial provisions become effective in FY 2011-12, with counties having the option to contract back with the state for administration of the specified treatment services. The process for the transfer of the responsibility for the federal match and the certification of required public expenditures is to be specified in a department information notice.

## **Governance Changes**

In order to implement mental health realignment in FY 2012-13 and beyond, significant changes are anticipated in current state statutes governing the original consolidation of Medi-Cal Specialty Mental Health. These include, for example, the counties' right of first refusal, state General Fund allocation formulas and risk sharing provisions, EPSDT match requirements, and other provisions that are associated with the allocation and distribution of legislatively appropriated state General Fund resources. The Mental Health Plan (MHP) contract, which is required by the federal Centers for Medicare and Medicaid Services (CMS) because counties are considered prepaid inpatient health plans (PIHP), will continue to be necessary. However, the MHP contract will no longer reflect financial provisions related to the state budget. The state's Medicaid 1915(b) Specialty Mental Health Services waiver provisions will need to be modified to reflect the changes in state/county financing, and the new source of revenue being used to meet federal Medicaid certified public expenditure requirements.