

Department of Mental Health (DMH): AB 3632 Program

Issue: May Revision Reduces General Fund for AB 3632. The Governor's May Revision proposes to reduce budget year funding provided through the Department of Mental Health (DMH) by \$52 million General Fund for the AB 3632 program. These funds are to pay prior year county mandate claims in fiscal years 2006-07 to 2009-10. It is our understanding the administration is not proposing suspension of this mandate.

LAO Comment: Proposed Funding Is Below Constitutionally Required Allocation by About \$108 Million. The level of funding proposed in the May Revision to pay prior year claims is insufficient to meet constitutional requirements for sustaining this mandate under Proposition 1A of 2004. To sustain this mandate, the state is required to allocate about \$160 million in funding for this program in the budget year based on the State Controller's deficiency report published on April 29, 2009. The administration proposes only \$52 million General Fund under DMH to pay prior year claims, which leaves a shortfall of about \$108 million General Fund.

LAO Recommendation: We are working on potential options to address this shortfall and recommend holding this item open.