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April 16, 2020

To: Members, CSAC Executive Committee

From: Lisa Bartlett, CSAC President and Orange County Supervisor
Graham Knaus, CSAC Executive Director
Darby Kernan, CSAC Deputy Executive Director of Legislative Services
Farrah McDaid Ting, Legislative Representative
Roshena Duree, Legislative Analyst

**RE: Recommendation to Approve CSAC County Priorities for Mental Health Services Act
Modernization – ACTION ITEM**

Introduction. The CSAC Board of Directors approved the formation of a CSAC Mental Health Services Act (MHSA, or Proposition 63 of 2004) Working Group chaired by CSAC President Lisa Bartlett of Orange County by unanimous vote on December 5, 2019.

The purpose of the CSAC MHSA Working Group is to meet the current challenges facing county MHSA funding while devising strategies to protect this critical county funding source. Chair Bartlett solicited interest and made membership selections in early January. Membership includes County Supervisors, County Executives, and County Behavioral Health Directors.

Since its formation, the MHSA Working Group has met four times to discuss the current political landscape for MHSA, adopt three guiding principles, and formally develop a robust county-led proposal to increase the effectiveness, accountability, and transparency of MHSA funding.

Guiding Principles. The CSAC MHSA Working Group adopted the following three guiding principles on January 29. Please see the attachment for the full principles document:

- **Funding Protections** – County MHSA funding is an essential pillar of our county behavioral health systems. Preserving this crucial resource is a top priority for California's counties. MHSA revenue allows counties to serve all ages, invest in prevention, and develop innovative interventions. MHSA funding also supports Medi-Cal specialty mental health services and helps bring in more than a billion dollars of federal financial participation for behavioral health services annually. For these reasons, counties oppose any change in MHSA funding for counties, since redirections, bifurcations, cost shifts and the like – either directly or indirectly – would negatively impact all behavioral health programs and the people counties currently serve.
- **Flexibility** – Create specific flexibility for MHSA funding to allow local stakeholder committees to prioritize and counties to serve those living with substance use disorders. This will help counties meet the unique needs of their residents and end the bureaucratic hurdles associated with providing services to people with co-occurring disorders and complex needs. Counties and local stakeholders are also clamoring for

flexibility between the Act's funding silos, including Community Services and Supports, Innovation, and Prevention and Early Intervention. It is important to retain the Act's emphasis on these critical priorities while also allowing local stakeholders, in conjunction with counties, to direct funding to the most urgent needs of their communities. Allowing MHSA funding to be expended on Substance Use Disorder services and softening the funding silos – while retaining critical local stakeholder and consumer input and direction – will help counties invest in prevention, intervention, innovation, and services that better meet the needs of their communities.

- **Transparency and Accountability** – Counties and county behavioral health departments strongly endorse transparency and accountability in all services and activities funded with public funds. To that end, counties support the collaborative development of measurable, data-driven outcomes for MHSA funding. We must also align public and stakeholder expectations with MHSA funding and expenditures by building on current MHSA reporting requirements to create comprehensive, timely, and transparent data without duplicating or creating burdensome workloads. Counties welcome the voices of consumers, stakeholders, organizations, executive and legislative leaders, academics and data scientists to ensure access to important data and robust outcomes for all MHSA activities.

Development of County Priorities for MHSA Modernization. Building on the above principles, the CSAC MHSA Working Group developed a set of proposals to “modernize” the MHSA. This process included all members of the working group driving toward consensus and unanimously adopting the attached “County Priorities for MHSA Modernization” on March 2. Each of these seven proposals are interdependent and carefully crafted to better meet the needs of counties and the people we serve. They were also designed for implementation through the legislative budget or policy process, since each furthers the original intent of the Act.

Please review the attachment “County Priorities for MHSA Modernization” for the full proposal. The seven pillars include:

- **Develop Statewide Accountability Outcome Measures**
- **Increase Transparency**
- **Provide Flexibility To Enhance Focus On Core Priorities**
- **Incorporate Substance Use Disorder Services**
- **Sustain Funding For Local Services**
- **Right-Size Reserves**
- **Amplify Innovation**

The CSAC MHSA Working Group has concluded their work as directed by the CSAC Board of Directors, and herein presents the “County Priorities for MHSA Modernization” for review and approval by the CSAC Executive Committee.

Resources.

CSAC MHSA Working Group Key Principles (Adopted January 29, 2020)

CSAC MHSA Memo as Reviewed by the CSAC Board of Directors (December 5, 2019):

https://www.counties.org/sites/main/files/file-attachments/csac_bod_mhsa_memo_-_final_approved_12-5-19.pdf

CSAC MHSA Legislation (As of April 02, 2020):

<https://ctweb.capitoltrack.com/public/publish.aspx?session=19&id=b125350c-9c06-4587-816d-b7d7ad62d4df>

Mental Health Services Act Funds – Amounts Subject to Reversion Before July 1, 2018 (October 2019)

2017 MHSA Audit by California Bureau of State Audits: “Mental Health Services Act: The State Could Better Ensure the Effective Use of Mental Health Services Act Funding” – Report 2017-117

<https://www.bsa.ca.gov/pdfs/reports/2017-117.pdf>

State Controller’s Office MHSA Revenues to Counties (by month and year)

https://www.sco.ca.gov/ard_payments_mentalhealthservicefund.html

MHSOAC Fiscal Reporting Tool: County Expenditures

<https://mhsoac.ca.gov/fiscal-reporting-tool>

Gatto Initiative Summary from Author:

<https://www.interventionca.org/about/>

Legislative Analyst’s Office Fiscal Estimate for the Gatto Initiative:

<https://lao.ca.gov/ballot/2019/190617.pdf>

MHSA Guiding Principles
Adopted by the CSAC MHSA Working Group
January 29, 2020

Introduction

The Mental Health Services Act (MHSA), or Proposition 63 of 2004, provides critical resources and support to improve the county behavioral health infrastructure in California. Since its passage, California's county-administered specialty mental health plans have implemented a range of community-based programs and services to serve all Californians at risk of or living with behavioral health issues.

Despite recent progress, counties and the MHSA remain under intense pressure. County behavioral health services are working hard to address new challenges, including homelessness, the opioid and methamphetamine epidemics, coordination with the justice system, and the rising rate of death by suicide among the state's youth. Governor Newsom and other leaders are calling for more assistance on these pressing issues, and trusted local stakeholders, behavioral health consumers, and families stand ready to help.

To that end, counties believe that California can continue to lead the nation and the world in behavioral health investments by protecting MHSA funding, instituting targeted spending options, and creating collaborative and robust measurement of outcomes. These three principles, developed with input from county supervisors, county executives, and county behavioral health directors, represent the foundation for the next chapter of county innovation with MHSA funding to better meet the current behavioral health needs of all Californians.

Key Principles

- Funding Protections – County MHSA funding is an essential pillar of our county behavioral health systems. Preserving this crucial resource is a top priority for California's counties. MHSA revenue allows counties to serve all ages, invest in prevention, and develop innovative interventions. MHSA funding also supports Medi-Cal specialty mental health services and helps bring in more than a billion dollars of federal financial participation for behavioral health services annually. For these reasons, counties oppose any change in MHSA funding for counties, since redirections, bifurcations, cost shifts and the like – either directly or indirectly – would negatively impact all behavioral health programs and the people counties currently serve.
- Flexibility – Create specific flexibility for MHSA funding to allow local stakeholder committees to prioritize and counties to serve those living with substance use disorders. This will help counties meet the unique needs of their residents and end the bureaucratic hurdles associated with providing services to people with co-occurring disorders and complex needs. Counties and local stakeholders are also clamoring for flexibility between the Act's funding silos, including Community Services and Supports, Innovation, and Prevention and Early Intervention. It is important to retain the Act's emphasis on these critical priorities while also allowing local

stakeholders, in conjunction with counties, to direct funding to the most urgent needs of their communities. Allowing MHSA funding to be expended on Substance Use Disorder services and softening the funding silos – while retaining critical local stakeholder and consumer input and direction – will help counties invest in prevention, intervention, innovation, and services that better meet the needs of their communities.

- Transparency and Accountability – Counties and county behavioral health departments strongly endorse transparency and accountability in all services and activities funded with public funds. To that end, counties support the collaborative development of measurable, data-driven outcomes for MHSA funding. We must also align public and stakeholder expectations with MHSA funding and expenditures by building on current MHSA reporting requirements to create comprehensive, timely, and transparent data without duplicating or creating burdensome workloads. Counties welcome the voices of consumers, stakeholders, organizations, executive and legislative leaders, academics and data scientists to ensure access to important data and robust outcomes for all MHSA activities.

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COUNTY PRIORITIES FOR MHSA MODERNIZATION

Approved by the CSAC MHSA Working Group on March 9, 2020

The Mental Health Services Act (Proposition 63, MHSA), passed by voters in 2004, provides critical resources for county behavioral health programs to implement the “whatever it takes” model of recovery for those living with mental illness. The MHSA helps support vital treatment, prevention, and innovative services for all Californians regardless of age, ethnicity, location, or income.

The Newsom Administration has called on MHSA stakeholders to consider reforms to better align with the administration’s focus on several key issues, including prioritizing the needs of homeless, justice-involved and at-risk youth populations. We believe that the concepts outlined below would help to facilitate that focus, along with improving the flexibility of counties to expand the “whatever it takes” ethos to foster prevention, intervention, and recovery efforts for individuals with mental health and substance use disorder needs.

To that end, we offer seven simple strategies to sustain our mission to serve all Californians with MHSA funding:

DEVELOP STATEWIDE ACCOUNTABILITY OUTCOME MEASURES

Increase the efficacy and accountability of MHSA funding by developing robust statewide outcome measures for key populations. We recommend convening counties and a diverse team of experts, client and family representatives, and data scientists to develop measurable and timely shared outcomes for MHSA-funded programs statewide. The MHSA’s existing seven negative outcomes under Prevention and Early Intervention funds should serve as the foundation for the development of measurable outcomes.

INCREASE TRANSPARENCY

Bolster MHSA transparency for counties, the state, and the public by building on current county data reporting requirements to strengthen and improve state-level reporting and data sharing. Improving accountability and transparency practices around the MHSA, including timely reporting and measurement against goals in the key areas, is critical to ensuring positive outcomes for the people we serve.

PROVIDE FLEXIBILITY TO ENHANCE FOCUS ON CORE PRIORITIES

Regulatory caps on MHSA funding components hamper our ability to implement the “whatever it takes” model for some of the sickest and highest-cost clients we serve, including those who are homeless or involved in the criminal justice system. Increasing the flexibility between funding categories allows counties to respond to pressing local needs and the volatility of MHSA funding, while also preserving the Act’s directive to reduce seven identified negative outcomes, including: untreated mental illness; suicide; incarcerations; school failure or dropout; unemployment; prolonged suffering; homelessness; and removal of children from their homes. Any changes to the funding structure must also remain responsive to local decision-making and preserve opportunities for community input.

INCORPORATE SUBSTANCE USE DISORDER SERVICES

To continue fidelity to the “whatever it takes” model of recovery and integrated care, counties seek additional flexibility to integrate MHSA funding for substance use disorder services, including prevention and outreach efforts. Substance use disorders are widely classified as a mental illness, and the Journal of the American Medical Association estimates that roughly 50 percent of individuals with serious mental illness are also living with a substance use disorder. Additional flexibility will reduce rigid funding barriers and bolster counties’ ability to make progress on new accountability metrics by allowing counties to more comprehensively serve our most critical and complicated populations with MHSA-funded services.

SUSTAIN FUNDING FOR LOCAL SERVICES

The sustainability of county MHSA funding is of critical importance to the people, providers, and programs within the county behavioral health safety net today. Counties are already responsible for specialty mental health services through Medi-Cal and providing a broader community mental health safety net regardless of income via the Bronzan-McCorquodale Act requirements. In addition, counties are expert at braiding multiple funding streams to provide a broad range of Medi-Cal and non-Medi-Cal funded services to various vulnerable communities. Preserving this critical funding and aligning outcome measures, transparency, and flexibility will ensure a future for our innovative services and supports, such as Full Service Partnerships, supportive housing, and grief recovery services for all ages and payer types.

RIGHT-SIZE RESERVES

Increase available funding by adjusting reserve levels to maximize flexibility and align with policy goals. Current law *requires* county reserves of no more than 33 percent of the average of the last five years of Community Services and Supports funding, not **total** MHSA funding received by each county. Should the additional accountability and flexibility above be implemented, along with the development of clear criteria for accessing reserve funding, it makes sense to reduce the current reserve level percentage in order to adjust for a comparable prudent reserve applied to all MHSA funding directly received by a county.

AMPLIFY INNOVATION

Maximize innovation funding and outcomes by expanding the definition of innovation, further streamlining the process for funding innovative programs, and allow counties to sustain successful innovations. Counties also seek to continue the development of community-defined practices to better meet the diverse needs of Californians, share county- and data-driven best practices and outcomes to propagate innovation statewide, and support multi-county or regional initiatives with both county and non-county partners.

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