



# Mental Health Services Act (MHSA) Reform

Tiffany Cantrell-Warren  
Director, County Behavioral Health

# Changes to MHSA – Proposition 1

SB326 Behavioral Health Services Act is now Proposition 1

- Will be on March 2024 ballot
- Includes AB531 housing bond

Some of the major changes include:

- Renaming Mental Health Services Act (MHSA) to the Behavioral Health Service Act (BHSA)
- Integration of Mental Health (MH) and Substance Use Disorder (SUD)
- Adds SUD-only populations and other priority populations
- Restructures the funding components to three new categories
- Expands planning and reporting beyond MHSA
- New accountability and reporting for ALL BH FUNDING

# Changes to MHSA County Funding

## Current MHSA Requirements

- State takes 5% for Admin
- Counties receive the balance of funds 95%

### MHSA specific components (WIC 5892)

- 76% Community Services and Supports (CSS)
- 19% Prevention and Early Intervention (PEI)
- 5% Innovation (INN)
- CSS – Workforce, Education and training (WET)
- CSS – Capital Facilities/Technological Needs (CF/TN)

## Proposition 1 Requirements

### Beginning 1/1/25

- State will take \$36M from BSA to fund Statewide Workforce Initiative
- Counties will continue current component distributions until 6/30/26

### Beginning 7/1/26

- State will take 10% (Admin/Prevention/Workforce)
- Counties will receive the balance 90%
- New Categorical Funding Restrictions
  - 35% Full-Service Partnership
  - 35% Behavioral Health Services and Supports
    - Of which, 51% to Early Intervention
      - Of which, 51% to be used for population age 25 and under

# Changes to MHSA County Funding

## Current MHSA Requirements

- State takes 5% for Admin
- Counties receive the balance of funds 95%

### MHSA specific components (WIC 5892)

- 76% Community Services and Supports (CSS)
- 19% Prevention and Early Intervention (PEI)
- 5% Innovation (INN)
- CSS – Workforce, Education and training (WET)
- CSS – Capital Facilities/Technological Needs (CF/TN)

## Proposition 1 Requirements

### Beginning 1/1/25

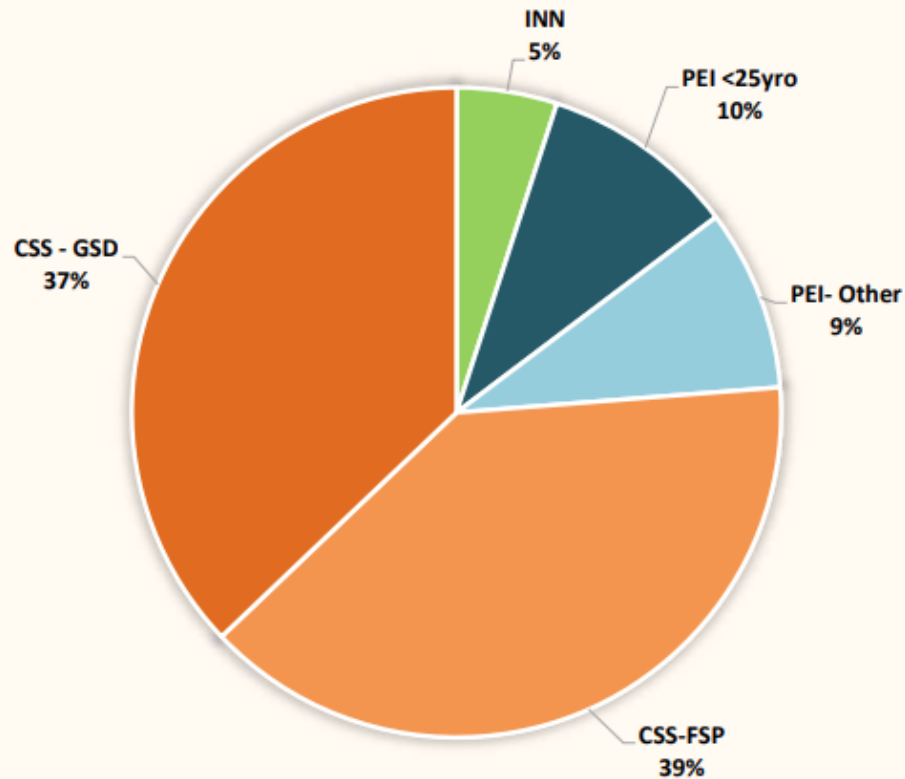
- State will take \$36M from BHS to fund Statewide Workforce Initiative
- Counties will continue current component distributions until 6/30/26

### Beginning 7/1/26

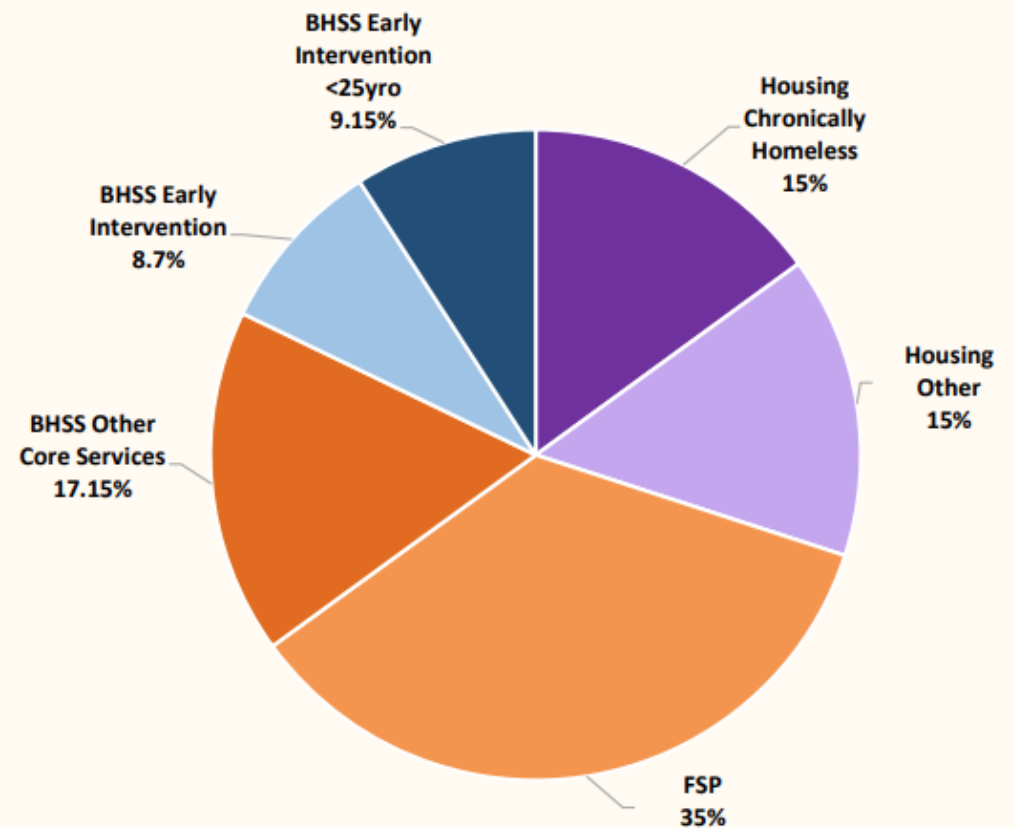
- State will take 10% (Admin/Prevention/Workforce)
- Counties will receive the balance 90%
- New Categorical Funding Restrictions
  - 35% Full-Service Partnership
  - 35% Behavioral Health Services and Supports
    - Of which, 51% to Early Intervention
      - Of which, 51% to be used for population age 25 and under
  - 30% Housing
    - 50% to those chronically homeless with a focus on encampments (Small/Rural County exemption – not Santa Cruz)

# Comparison of Current MHSA Funding Components with Proposition 1 BHSA Categories

**MHSA COMPONENTS**



**BHSA FUNDING CATEGORIES**



# MHSA County Expenditure Process

## Current MHSA Requirements

- Counties are required to prepare a Three-Year Program and Expenditure Plan
- Gain approval of Plan through annual stakeholder process
- May use up to 5% of total annual MHSA revenues for planning and supporting consumers, family members, stakeholder and contractors in local planning processes
- All MHSA expenditures are required to be in accordance with an approved Plan
- MHSA funds cannot be used to supplant existing resources
- Counties required to prepare and submit MHSA Annual Revenue and Expenditure Reports (ARER)

## Proposition 1 Requirements

- ***Beginning 7/1/26:***
  - Three-Year Program and Expenditure Plan renamed as the Integrated Plan for BH Services and Outcomes
  - Still need stakeholder approval
  - May still use up to 5% on local planning process
  - Same expenditure requirement – in accordance with approved Plan.
  - Same supplantation rule
  - ARER replaced with Outcomes, Accountability, Transparency Report
    - Includes ALL BH funding sources, not just limited to BHSA.
    - ***Reporting requires more transparency in all funding sources***

# MHSA Prudent Reserve

Counties are required to establish and maintain a prudent reserve to ensure the county can continue services in years in which revenues are below recent averages (W&I Code Section 5847(b)(7))

## Current MHSA Requirements

- Limits prudent reserves to 33 % of the average CSS revenue received in the preceding five years for all counties
- Counties can use prudent reserve funds for CSS. (PEI was allowed during COVID.)
- Reassess prudent reserve levels every 5 years

## Proposition 1 Requirements

- **Beginning 1/1/25:** Limits prudent reserves to 20% & 25% of the average total BHSA revenue received in the preceding five years:
  - 25 % max reserve for counties with populations of less than 200,000
  - 20% max reserve for counties with populations of 200,000 or more
- **Beginning 7/1/26:** Counties can use prudent reserve funds during years when revenues are below recent averages for Housing (no capital projects), FSP, and BHSS children & adult SOC, EI, outreach and engagement.
- Reassess prudent reserve levels every 3 years



# MHSA Transfers

## Current MHSA Requirements

- Counties can transfer up to 20 % of the average amount of total funds allocated to the county in the preceding five years from CSS to WET, CF/TN and/or the Prudent Reserve
- Requires stakeholder approval
- Does not require DHCS prior approval

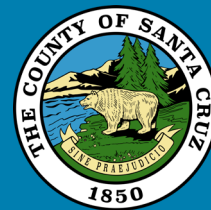
## Proposition 1 Requirements

- ***Beginning 7/1/26:***
  - 7% max transfer from any one category
  - Can transfer up to 14% of the funds cumulatively
  - Requires counties to include the proposed changes in the county Integrated Plan
  - Requires DHCS prior approval



# Questions?

Thank You



# MHSA County Funding Today

## Funds distributed monthly (W&I Code Section 5892(j)(5))

- Unexpended and unreserved funds on deposit in the State MHS Fund at the end of the month are distributed by the 15th of the next month
- Prior to making the distribution to counties, State reserves entire administrative appropriation at the beginning of the fiscal year (5%)

## Individual county allocation percentages are based on:

- Estimated need for services
- Self-sufficiency and resources
- Small county minimum allocations
- Information Notice 22-052 describes methodology

## Counties receive one warrant (check) from the state

- County responsible for ensuring compliance with C.C.R. Title 9, Section 3420(b)
  - 5% of total funding shall be utilized for Innovative programs
  - 19% for Prevention and Early Intervention programs
  - 76% for Community Services and Supports (System of Care)
  - Workforce, Education, and Training (WET), and Capital Facilities & Technological Needs (CFTN) thru CSS transfers

## Each county required to have a local Mental Health Services fund

- Interest earned remains in the fund to be used for MHSA expenditures