

Orange County MHSA Fact Sheet

What is the Mental Health Services Act?

California voters passed the Mental Health Services Act (MHSA) – or Proposition 63 – in November 2004. The Act placed a 1% state tax on individual income over \$1 million to expand and improve voluntary mental health programs. MHSA funds must be spent on individuals who have a primary mental health diagnosis or condition, or are at risk of developing or are experiencing mild to moderate symptoms of a mental illness or emotional/behavioral disorder. It cannot be used to pay for individuals who are incarcerated or on parole, or are receiving inpatient or institutional care.

As of June 30, 2017, HCA has expended over \$1 billion of its total MHSA funds on new or expanded programs and related expenses.

On-going funds fall into one of three components:

- **Community Services and Supports (CSS)** receives 76% of MHSA funds to serve people of all ages living with serious emotional disturbance (SED) or serious mental illness (SMI). More than half of CSS funds must be spent on Full Service Partnerships (FSPs) which provide intensive field-based services for unserved individuals who live with SMI/SED and meet other conditions outlined in the CSS regulations, and their families.
 - **CSS/MHSA Housing Assistance:** CSS can also be used to develop permanent supportive housing (PSH) for individuals with SED/SMI, and Orange County dedicated \$5 million in Fall 2016 and \$20 million in FY 2017-18 for this purpose. As of April 6, 2018, \$12,915,000 remains committed for the development of future PSH projects as they are identified.
- **Prevention and Early Intervention (PEI)** receives 19% of MHSA funds to serve individuals who are at risk of developing or are experiencing mild to moderate symptoms of a mental illness or emotional/behavioral disorder. More than half of PEI funding must serve youth under age 26.
- **Innovation (INN)** receives 5% of the MHSA fund for time-limited pilot projects that evaluate the effectiveness of new and/or changed mental health practices. Projects must focus on learning rather than filling service gaps and cannot be spent without prior approval from the State’s Mental Health Services Oversight and Accountability Commission (MHSOAC).

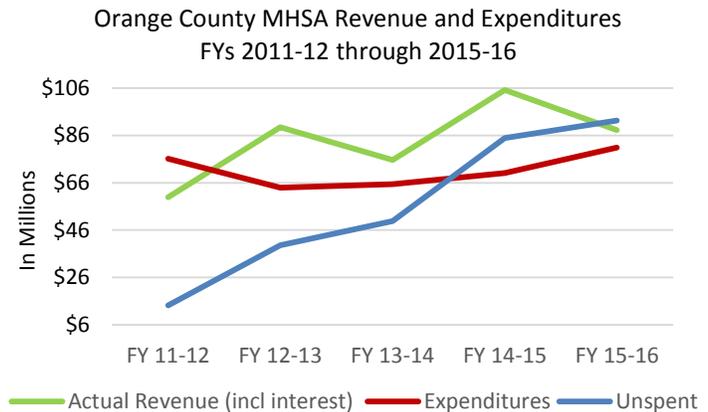
The State also provided one-time, 10-year investments in Workforce Education and Training and Capital Facility and Technological Needs to develop and support the public mental health infrastructure, which counties can continue to fund through CSS.

How are MHSA Funds Distributed to Counties?

The State distributes money to counties each month based on what it *predicts* it will collect that year in MHSA tax revenue. Since these revenues are based on income tax of those making more than \$1 million, significant fluctuations have occurred since inception of the program. The State then adjusts the amount the county receives twice a year (middle and end of fiscal year) to match actual MHSA tax revenue. CSS, PEI and INN funds must be spent within three years, after which time unspent dollars must be returned to the State to be distributed to other counties (“reversion”).

How Did the Unspent CSS Balance Get So Large?

CSS is the largest portion of Orange County's current remaining funds. Despite a gradual but steady increase in CSS expenditures (red line in graph), Orange County's unspent CSS funds rose sharply due, in part, to large revenue spikes in FYs 2012-13 and 2014-15 (green line). In each of these FYs, Orange County received \$30 million *more* than the prior FY. It has taken time to plan, strategize and implement needed programs to spend these additional dollars.



It is important to note, however, that **Orange County is not presently at risk of having to return unspent funds to the state.**

What is Meant by “Unspent Funds”?

Unspent funds refer to two different “types” of dollars:

- **Committed unspent** dollars are unspent funds set aside for upcoming approved programs and expenditures, which can include funds set aside for planned future expenditures, such as permanent supportive housing, building renovations and program capacity increases.
- **Available unspent** dollars are funds that are available for future planning, such as for projects consistent with Stepping Up, Whole Person Care, or other programs and initiatives that meet community needs and comply with MHSAs regulations.

What is the Prudent Reserve?

Orange County's MHSAs revenue can fluctuate significantly from year to year. As a result, the Act requires counties to set aside some MHSAs funds in a local Prudent Reserve to help *maintain* services (but not expand or create new programs) in the event of an economic downturn. A county may only access the PR if its MHSAs revenue falls below recent revenue averages and it has received approval from the State. Historically Orange County's total PR balance was approximately \$71 million. The Prudent Reserve is not considered part of the unspent funds described above.