

**INITIAL STATEMENT OF REASONS**  
**California Code of Regulations**  
**Title 9. Rehabilitative and Development Services**  
**Division 1. Department of Mental Health**  
**Chapter 14. Mental Health Services Act**

California voters approved Proposition 63 during the general election held November 2004. Proposition 63 took effect on January 1, 2005 as the Mental Health Services Act (MHSA). The MHSA imposes a one percent tax on personal income in excess of \$1 million in order to increase funding to expand mental health services to children/youth, adults and older adults who have serious mental illnesses/serious emotional disturbances and whose service needs are not being met through other funding sources. Further, the MHSA seeks to establish prevention and early intervention programs, as well as develop innovative programs. The MHSA provides the opportunity for the Department of Mental Health (DMH) to increase funding for personnel and other resources to support county mental health programs (Counties) and monitor progress toward statewide goals for children/youth, adults, older adults and families.

In section 5847 of the Welfare and Institutions Code, the MHSA directs the county mental health programs to develop and submit a three-year plan, which the Department has called the Three-Year Program and Expenditure Plan (Plan). Section 5848, subdivision (c), requires DMH to establish requirements for the content of the Plan. The Plan is comprised of five components of activities and/or services for which the funding established under the Act can be spent. The components are: Community Services and

Supports (referred to in the MHSA as services to adults, older adults, children and transition age youth); Capital Facilities and Technological Needs; Workforce Education and Training; Prevention and Early Intervention; and Innovation.

Given the scale of each component, DMH is implementing each component separately. The first component of the Plan to be implemented was Community Services and Supports (CSS). As DMH implements each component, it is promulgating regulations accordingly, with the ultimate goal of integrating each component into the Plan. To accomplish this, the Department has adopted Chapter 14, "Mental Health Services Act," in Division 1 of Title 9 of the California Code of Regulations.

This Statement of Reasons accompanies the draft regulations for the general requirements contained in the California Code of Regulations, Title 9, Division 1, Chapter 14, on the MHSA regulations currently in effect. These regulations help clarify and update existing MHSA regulations. Adoption of these regulations is necessary to implement the provisions required by the MHSA. Pursuant to the Administrative Procedures Act, DMH has prepared this Statement of Reasons which presents the purpose and the rationale for necessity for each regulation.

## Article 2: DEFINITIONS

**NOTE: The acronym MHSA will be used for the Mental Health Services Act once it is introduced in the Specific Purpose for Section 3200.020, Bridge Funding.**

### **Section 3200.020. Bridge Funding.**

**Specific Purpose:** Section 3200.020 is being repealed from the California Code of Regulations, Title 9, as bridge funding was intended to be used only for initial implementation of the Mental Health Services Act (MHSA) and specifically for Fiscal Year 04/05.

**Rationale for Necessity:** Repealing this section is necessary, as bridge funding is no longer available for the Counties to use. Since Counties have received MHSA funds and begun implementing MHSA programs and projects, there is no longer a need for this type of funding.

### **Section 3200.085. Component Allocation.**

**Specific Purpose:** Section 3200.085 defines “Component Allocation” as the amount of MHSA funds available to the County for a component during a fiscal year or other specified time period, as published by the Department. This definition replaces the term “Planning Estimate” as defined in Section 3200.250.

**Rationale for Necessity:** This term and accompanying definition are necessary to describe a new term, “Component Allocation”. The County is allocated a specific amount of money each fiscal year for each component specified in the MHSA. Once the County is notified of the amount of funds available for each component, the County can then plan for the “budgeting” and/or “allocation” of the funds within the component as to the programs/projects to which the funds will be directed. The amount of money the County receives each year will vary depending on the amount of money that is collected through individual State income tax for the MHSA. As the amount of money available each fiscal year will vary, it is necessary to provide the County with this information. This definition is replacing the term “Planning Estimate” as defined in section 3200.250.

**Section 3200.117. Distribution.**

**Specific Purpose:** Section 3200.117 defines distribution to mean the release of MHSA funds by the Department to a County.

**Rationale for Necessity:** This regulation is necessary because the term “distribution” has a specific meaning in the context of the MHSA. When the term is used in the Act, it refers to the release of funds by the Department to a County or Counties.

### **Section 3200.126. Fiscal Year.**

**Specific Purpose:** Section 3200.126 defines what constitutes a fiscal year in terms of the MHSA.

**Rationale for Necessity:** This regulation is necessary to ensure that the County understands that the term “fiscal year” is in reference to the state fiscal year and not any other fiscal years, i.e. federal government’s fiscal year.

### **Section 3200.227. Non-Recurring Expenditure.**

**Specific Purpose:** The purpose of section 3200.227 is to define a term that is used by the Department to differentiate expenditures that are made in one fiscal year and not in the subsequent fiscal year.

**Rationale for Necessity:** This definition is necessary because “non-recurring expenditures” are sometimes treated differently from other expenditures. For example, section 3471, subdivision (d)(3), exempts these expenditures from the calculation of the amount of funds that a County must maintain in its Local Prudent Reserve.

Furthermore, the County is required to identify non-recurring expenditures in the work plans for its programs and projects.

**Section 3200.250. Planning Estimate.**

**Specific Purpose:** Section 3200.250 is being repealed from California Code of Regulations, Title 9, as the Department no longer uses the term.

**Rationale for Necessity:** The deletion of this definition is necessary as to define the maximum amount of money that the County could request for a specific component as an “estimate” was misleading. The Department will amend reference within existing regulations to change the term “Planning Estimate” to “Component Allocation”. (See Rationale for Necessity for section 3200.085, Component Allocation.)

## **Article 3: GENERAL REQUIREMENTS**

### **Section 3300. Community Program Planning Process.**

**Specific Purpose:** The amendment to section 3300 changes the term “Planning Estimate” to “Component Allocation” in accordance with the addition of section 3200.085 and deletion of section 3200.250 in Article 2.

**Rationale for Necessity:** This change to the regulation is necessary to keep terminology consistent throughout the regulations.

### **Section 3310. The Three-Year Program and Expenditure Plan.**

#### **Section 3310, subdivisions (b)(1)-(3)**

**Specific Purpose:** The amendments to section 3310 (b)(1) add the sections in which “Community Services and Supports” and “Workforce Education and Training” are defined.

**Rationale for Necessity:** This amendment is necessary as it indicates where the CSS and WET components have been defined in regulations. The department is taking the opportunity to change typographical/grammatical errors as well.

### **Section 3310, subdivisions (d), (e), and (f)**

**Specific Purpose:** The amendment to section 3310 (d), (e), and (f) are typographical/grammatical changes.

**Rationale for Necessity:** The department is taking the opportunity to change typographical/grammatical errors.

### **Section 3410. Non-Supplant.**

**Specific Purpose:** The amendment to section 3410 eliminates the reference to bridge funding, which is no longer available to the Counties.

**Rationale for Necessity:** This change to the regulations is necessary because bridge funding was only available to the Counties during Fiscal Year 2004-2005. It was intended to assist the Counties prior to submission of the first Three-Year Program and Expenditure Plans. Since bridge funding is no longer necessary, it is not available to the Counties and the provision is no longer necessary.

## Article 5: REPORTING REQUIREMENTS

### **Section 3500. Non-Supplant Certification and Reports.**

#### **Section 3500, subdivisions (c)**

**Specific Purpose:** Section 3500, subdivision (c) is being repealed and will be incorporated in section 3505, Cost Report.

**Rationale for Necessity:** This regulation is being repealed because it regulates the cost report and what the County must certify. As a result, it would seem more appropriate to incorporate the certification with the other certification required for the Cost Report in the regulation regulating the Cost Report.

#### **Section 3500, subdivision (d)**

**Specific Purpose:** Section 3500, subdivision (d), is being repealed since bridge funding is no longer available to the Counties.

**Rationale for Necessity:** It is necessary to repeal this subdivision, since bridge funding is no longer available to Counties. This ensures consistency and eliminates confusion by eliminating all references to bridge funding.

**Section 3505. Cost Report.**

**Section 3505, subdivision (c)**

**Specific Purpose:** This amendment is made to relocate in the regulations the requirement that the County Local Mental Health Director certify that mental health funds, other than MHSA funds, that were required to be used to provide services and/or supports that were in existence in Fiscal Year 2004-2005 were so used.

**Rationale for Necessity:** This provision was moved from section 3500, subdivision (c)(2), because it is more appropriately placed with the regulation that deals with cost reports so that all requirements for the Cost Report can be found in one regulation. This eliminates confusion and duplication and communicates clearly to the Counties what must be included in the Cost Report. The department is taking the opportunity to change typographical/grammatical errors as well.

## Article 6: COMMUNITY SERVICES AND SUPPORTS

### Section 3640. Outreach and Engagement.

#### Section 3640, subdivision (b)

**Specific Purpose:** Section 3640, subdivision (b), is being amended to include the word “only” to the list of what Outreach and Engagement funds may be used for.

**Rationale for Necessity:** When the regulations for the Community Services and Supports (CSS) component were drafted the word “only” was mistakenly omitted. The statement of reasons indicates that Outreach and Engagement funds were only to be used for the activities set forth in this subdivision, but the regulation did not so state. This amendment is necessary to correct the error so that the regulation accurately communicates the Department’s intended policy.