

INITIAL STATEMENT OF REASONS  
California Code of Regulations  
Title 9. Rehabilitation and Development Services  
Division 1. Department of Mental Health  
Chapter 14. Mental Health Services Act  
Article 5. Reporting Requirements

**Specific Purpose:** Section 3520 is being repealed from California Code of Regulations Title 9 as the Department's fiscal management practice has changed.

**Rationale for Necessity:** When Mental Health Services Act (MHSA) funds were first made available and distributed to the Counties, the Local Mental Health Services Fund Cash Flow Statement (Cash Flow Statement) was developed by the Department to manage the unreserved cash balance distributed to the Counties. When this section was first adopted, the Department's rationale for this Statement was:

"This regulation is necessary as the Department is accountable, under the law, for both the disbursement of the Mental Health Service Act money and oversight of the county's expenditures of this money. Oversight of the county's expenditures of the MHSA money is guided by the intent/purpose of the Act, as well as the Three-Year Program and Expenditure Plan that is developed by the county in collaboration with interested stakeholders, and approved by the Department. Section 3520 not only specifies that timeframe for submittal of the Cash Flow Statement, but also informs the county of the specific information to be reported. This regulation allows the delay or withholding of future MHSA funds if the county fails to comply with the reporting requirement as outlined. The reporting requirements include the timeframe for reporting as well as the specific items that were to be included in the report."

In December 2007, the Department advised the Counties that cash distributions in the amount of 75% of the amount requested would be made at the start of a fiscal year and that the additional 25% of funds requested would be distributed after confirmation of receipt of the Annual MHSA Revenue and Expenditure Report. Absent the original need to manage or account for unreserved cash balances previously identified through the Cash Flow Statement, the Department has decided that the need for the Cash Flow Statement no longer exists. The Department gathers this cash reserve information as well as other relevant financial data from the Counties' Annual MHSA Revenue and Expenditure Report.

There being no further need for the Local Mental Health Services Fund Cash Flow Statement the Department is repealing this section in its existing regulations.

**OTHER REQUIRED SHOWINGS – GOVERNMENT CODE 11346.2(b)(2)-(4)**

Studies, Reports, or Documents Relied Upon – Gov. Code 11346.2(b)(2): None

Reasonable Alternatives Considered – Gov. Code 11346.2(b)(3)(A): None

Reasonable Alternatives That Would Lessen the Impact on Small Businesses – Gov. Code 11346.2(b)(3)(B): None

Evidence Relied Upon to Support the Initial Determination That the Regulations Will Not Have A Significant Adverse Economic Impact on Business – Gov. Code 11346.2(b)(4): The proposed regulation will not have a significant adverse impact upon business since it applies only to the Counties' fiscal reporting process for the Department.

Duplication or Conflicts with Federal Regulations – Gov. Code 11346.2(b)(5): None. There are no Federal Regulations on the subject since these regulations were developed as the result of the Department's need to clarify a statute while establishing a process for distribution of MHSA funds to the Counties.