



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

DATE: March 5, 2019

MHSUDS INFORMATION NOTICE NO.: 19-012

TO: COUNTY BEHAVIORAL HEALTH DIRECTORS
COUNTY DRUG & ALCOHOL ADMINISTRATORS
COUNTY ADMINISTRATIVE OFFICERS
COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION OF CALIFORNIA
CALIFORNIA COUNCIL OF COMMUNITY BEHAVIORAL HEALTH AGENCIES
COALITION OF ALCOHOL AND DRUG ASSOCIATIONS
CALIFORNIA ASSOCIATION OF ALCOHOL & DRUG PROGRAM EXECUTIVES, INC.
CALIFORNIA ALLIANCE OF CHILD AND FAMILY SERVICES
CALIFORNIA OPIOID MAINTENANCE PROVIDERS
CALIFORNIA STATE ASSOCIATION OF COUNTIES
CALIFORNIA CONSORTIUM OF ADDICTION PROGRAMS AND PROFESSIONALS

SUBJECT: MENTAL HEALTH SERVICES ACT (MHSA) REVENUE AND EXPENDITURE REPORT WITHHOLD PROCESS

REFERENCE: WELFARE AND INSTITUTIONS CODE (W&I) SECTION 5899 AND CALIFORNIA CODE OF REGULATIONS (CCR), TITLE 9, SECTIONS 3510(b)

The purpose of this Mental Health and Substance Use Disorder Services (MHSUDS) Information Notice (IN) is to supplement section A of [IN 18-033](#), which discusses the withholding of MHSA funds from counties that fail to timely submit their Annual Revenue and Expenditure Reports (ARER). The first section of this IN provides background on the existing statutory and regulatory authority for DHCS to withhold MHSA funds from counties for not timely submitting an ARER. The second section provides additional detail regarding the withhold process.

BACKGROUND

Each County is required to submit an Annual MHSAs Revenue and Expenditure Report by December 31 following the close of the fiscal year.¹ If a county does not submit its ARER by the required deadline, DHCS will direct the State Controller's Office (SCO) to withhold 25 percent of that county's monthly allocation from the Mental Health Services Fund (MHSF) until the county submits the overdue ARER.²

WITHHOLD PROCESS

If a county does not submit a complete and accurate ARER by December 31, DHCS will withhold 25 percent of that county's monthly distribution until the county submits a complete and accurate ARER. By January 31, DHCS will notify, via e-mail, the mental health director, and MHSAs coordinator in any county that has not submitted a complete and accurate ARER by December 31. The county will have 30 calendar days to submit a complete and accurate ARER, as determined by DHCS. If the county fails to submit a complete and accurate ARER within 30 days, DHCS will direct the SCO to withhold 25 percent of the county's next monthly allocation from the MHSF until the county submits a complete and accurate ARER. A county must submit a complete and accurate ARER at least 10 business days before the last business day of the month to avoid a 25 percent withhold from the next monthly allocation from the MHSF.

When DHCS determines that the county has submitted a complete and accurate ARER, it will direct the SCO to release the withheld funds back to the County. At least 10 business days before the last business day of the month, if DHCS determines that the county submitted a complete and accurate ARER, the withheld funds will be released to the county in the next monthly distribution. Interest earned on the funds withheld will be deposited into the MHSF and will be available for distribution to all the counties. Interest will not accrue to the specific account of the county from which DHCS withheld funds.

The reversion period for funds withheld due to non-compliance begins when the funds are originally available to the county, regardless of whether those funds have been withheld or not. The SCO will publish a schedule on its [website](#) that includes the following information for each county: 1) monthly distribution based upon the allocation

¹ W&I, Section 5899(a); California Code of Regulations, Title 9, Section 3510(b).

² W&I, Section 5899(e); MHSUDS IN No: 18-033.

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schedule; 2) funds withheld; 3) funds released; and 4) total funds distributed. DHCS will use the monthly distribution based on the allocation schedule to calculate reversion pursuant to the methodology described in MHSUDS IN 18-033. For example, if DHCS withholds 25 percent of a county's June 2019 payment and the SCO releases the withheld funds in September 2019, DHCS considers the withheld funds to be part of the June 2019 distribution and the first year of the reversion period for the withheld funds is FY 2018-19, not FY 2019-20.

If you have any questions regarding the ARER, please contact Donna Ures at (916) 713-8802 or donna.ures@dhcs.ca.gov

Sincerely,

Original signed by

Brenda Grealish, Acting Deputy Director
Mental Health & Substance Use Disorder Services