

March 10, 2004

LA COUNTY DEPARTMENT OF MENTAL HEALTH OVERVIEW OF STAKEHOLDER PROCESS FOR FY 2004-05 BUDGET

Los Angeles County's Department of Mental Health faces a substantial budget shortfall in the coming budget year. Given the size of the shortfall, and its potential implications for the people we serve, as well as our partners, we intend to conduct an accelerated stakeholder process between now and the first week in May 2004 to invite our partners to help us make the best decisions possible to resolve this projected budget shortfall.

This document summarizes our current understanding of the scope and the source of the budget shortfall, and the process we will use to develop our plan for resolving this shortfall over the next 8 weeks.

1. The problem

Given current revenue and expenditure projections, the Department of Mental Health faces a **budget shortfall for FY 2004-05 of \$48.8 million**. The sources of this shortfall include:

- **One-Time Prior Year EPSDT Revenue:** this reflects the loss of one-time funding that was used in the 2003-04 Budget to mitigate curtailments. Estimated amount: \$32.9 million
- **1115 Waiver Revenue Reduction:** this reflects the scheduled 2004-05 decrease in our share of federal revenue for the 1115 Waiver Project. Estimated amount: \$7.8 million
- **One-Time Sales Tax:** this reflects the loss of one-time funding from an unanticipated increase in Sales Tax Realignment that was used in the 2003-04 Budget to mitigate curtailments. Estimated amount: \$4.7 million
- **Reduction in Federal funding ratio:** this reflects the expiration of the Federal Temporary State Relief legislation that temporarily increased the Federal Medicaid Assistance Percentage beyond the standard 50 percent. . Estimated amount: \$3.4 million.

We are confident enough in these numbers that we are making them public and beginning our planning process with them. And, of course, many developments between now and July 1, 2004 when the new budget year begins could affect these numbers. Specifically, we still have questions about some of the implications of the Governor's current budget proposal on our budget, and **the May revise of the Governor's budget could result in a larger budget shortfall than we currently estimate.**

On the other hand, **the estimated budget shortfall for FY 2004-05 could shrink if we receive some or all of the \$33.7 million we are owed in payments for prior year AB 3632 program costs.** We are raising the issue of AB 3632 reimbursement at every opportunity in Sacramento with the hope of bringing it to the Office of the Governor as a policy matter. **There is a legitimate chance that this may happen but it is by no means certain.**

The receipt of prior year AB 3632 reimbursement would minimize any negative budget impact until 2005-06, by which time we would know whether **the proposed ballot initiative to provide dedicated mental health funding passes.** The initiative, which has now qualified for the

November 2004 ballot, would expand mental health services for children and adults, funded by a surcharge on income above \$1 million per year. **If voters approve the initiative in November, it would generate an estimated \$300 million annually for DMH.** While these funds would not be available until late FY 2004-05, they would still help alleviate the budget shortfall for FY 2004-05, and would provide substantial additional revenues for subsequent fiscal years.

Since neither of these potential sources of additional revenue is certain, however, we cannot assume that they will alleviate our projected FY 2004-005 budget shortfall.

2. Overview of the process

The process will take place between now and early May 2004. **The final recommendations from this process must be completed by Friday, May 7, 2004,** to allow the Department sufficient time to finalize its budget request for the CAO and the Board of Supervisors.

We have asked John Ott, a consultant who has worked in LA County for several years, and who designed and facilitated the CalWORKs Prioritization process, to guide the overall process and to facilitate the second phase of this effort (see below).

The process will unfold in two phases. **The first phase will occur between now and mid-April 2004.** During this phase, each stakeholder group will be asked to:

- Review documents, to be provided by the Department, that will present greater detail regarding the projected budget shortfall and its implications for the Department and the people we serve;
- Review a preliminary plan to address the shortfall developed by the Department's Leadership Team;
- Develop a preliminary plan of its own to address some or all of the projected shortfall; and
- Choose delegates to participate in the second phase of this process.

The second phase of the process will take place in late April through the first week of May 2004. In this phase, delegates from the multiple stakeholders will meet to review the various proposals that emerged from the Phase 1 process, and will work to achieve consensus on the proposed structure for the FY 2004-05 Department budget to address the budget shortfall.

Please note: the Department must submit a budget for FY 2004-05 that addresses this projected shortfall. The Department's Leadership Team is committed to do everything possible to reach a consensus decision among all of the stakeholder groups. If such consensus is not possible, however, the Department's Leadership Team will make the best decision it can, informed by this process, to craft a budget that addresses the shortfall. A final report submitted to the Board will reflect both the consensus and the divergence among the stakeholders.

3. The Stakeholders and the assignment of delegates

The following list outlines the stakeholder groups that we are asking to participate, and the number of delegates each group can choose to participate in the Phase 2 process:

- The Client Coalition: 2 delegates
- National Alliance for the Mentally Ill (NAMI) and the Housing and Homeless Coalition: 2 delegates total
- Association of Community Human Service Agencies (ACHSA): 2 delegates
- Service Area Advisory Councils (SAACs): 8 delegates total, 1 delegate for each of the 8 Councils. Providers who are not members of ACHSA will be encouraged to participate in Phase 1 through the appropriate SAAC.
- Asian Pacific Policy and Planning Council (A3Pcon): 1 delegate
- Black Health Task Force: 1 delegate
- Latino Community Organizations (LatCO): 1 delegate
- United American Indian Involvement (UAI): 1 delegate
- Hospitals, including the Short-Doyle hospital and the Hospital Association of Southern California: 2 delegates total
- Law enforcement, including the Sheriff's Department, Los Angeles Police Department, Long Beach Police Department, Pasadena Police Department, and the Los Angeles Police Chiefs' Association: 2 delegates total
- LA County Department Partners, including Department of Health Services, Department of Public Social Services, Probation Department, and the Department of Children and Family Services: 4 delegates total, 1 delegate from each Department
- The Courts, including Juvenile Court and Department 95: 2 delegates total
- Mental Health Commission: 2 delegates
- The Department, including line staff, Program Directors, District Chiefs, and the Leadership Team: 7 delegates plus either the Director or Chief Deputy

4. **Timeline and key dates**

a. Week of March 8

- Leadership Team finalizes process design
- Presentation to the New Directions Task Force seeking participation from the Department partners
- Presentation to the Health Deputies to outline the process and the timeline
- Presentation to the Department's Expanded Management Group to outline the process and the timeline
- Outreach to other stakeholders begins, including phone calls and mailing of this process summary

b. Week of March 15

- Department Leadership Team finalizes an initial framework for analyzing and responding to the shortfall
- A second packet of information is mailed to stakeholders. This packet contains: the Leadership Team's initial framework and proposal; additional information related to the current budget reality and Department operations; and a process guide for stakeholders to use if helpful.
- Stakeholder groups begin to meet

- c. March 22 – April 16
- Groups continue to meet
 - For those groups that don't meet together regularly (e.g., the various hospitals, the law enforcement representatives, and others), and any other group that would want to attend, we will provide an opportunity for you to meet together with some facilitation support to understand the issues giving rise to the shortfall, to craft your initial responses to the shortfall, and to choose your delegates for the Phase 2 process. No group is required to sign up for these dates; they are offered to support each group's process if helpful. Groups can also sign up for more than one date or time slot if that will be helpful to them. The dates for these gatherings will be:
 - Tuesday, March 23: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Tuesday, March 23: 1:00 – 4:00 p.m. (Location to be determined)
 - Tuesday, March 30: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Tuesday, March 30: 1:00 – 4:00 p.m. (Location to be determined)
 - Wednesday, March 31: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Wednesday, March 31: 1:00 – 4:00 p.m. (Location to be determined)
 - Tuesday, April 6: 1:00 – 4:00 p.m. (Location to be determined)
 - Wednesday, April 7: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Wednesday, April 7: 1:00 – 4:00 p.m. (Location to be determined)
 - Groups will send to John Ott a summary of their initial reflections about how the Department should cope with the shortfall, along with the names and contact information for their delegates, by the end of this period.
- d. April 19 – May 7, 2004
- Delegates from the stakeholder groups will meet to review the initial plans stakeholder groups have developed to respond to the shortfall, and to work toward consensus on the structure for the FY 2004-05 budget.
 - The dates and times for these stakeholder sessions are outlined below. Not all of these sessions may be necessary, but we are asking delegates to hold all of these times:
 - Wednesday, April 21: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Friday, April 23: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Monday, April 26: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Friday, April 30: 9:00 a.m. – 12:00 noon (Location to be determined)
 - Monday, May 3: 9:00 a.m. – 12:00 noon (Location to be determined)
 - A final report summarizing the results of the process will be produced and distributed to all stakeholder participants.
- e. May 8 – June 30
- Department produces the final FY 2004-05 budget request based on the report, and submits it to the CAO and the Board of Supervisors.

- Board of Supervisors considers, revises, and ultimately approves a final FY 2004-05 budget for the Department.