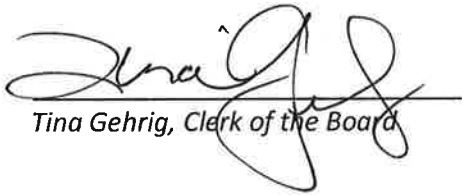


	<p>Mental Health Agency</p> <ul style="list-style-type: none"> • 2017 Budget Process- Need planning around BHO budget.
<p>Results/Board Direction:</p>	<ul style="list-style-type: none"> • BHO board to formally request the Auditor arrange a liaison to the SAO • Continue to develop a budget work plan for budget adoption process • New positions required, will need budget amendments • Improve communication

I certify that this is a true and correct copy of the original document maintained in the Office of the Thurston Mason Behavioral Health Organization.

ATTEST:


 Tina Gehrig, Clerk of the Board

Date: 5/17/16

BHO Fund, Budget and Revenue Discussion

In establishing the 2016 budget for the BHO, there are a few factors that both the BHO Board and the Boards of County Commissioners for Thurston and Mason counties must take into consideration. This briefing

- provides a status on establishing a fund separate from Thurston County funds
- begins to articulate the revenue that may be available to the BHO with questions for the Thurston and Mason Boards of County Commissioners
- proposes a timeline for adoption of a BHO budget and aligned actions by Thurston and Mason counties

FUND STATUS

On April 12, 2016, Robin Campbell requested an agency fund, which would not be a Thurston County fund, be established in the Office of the Thurston County Treasurer. This is in accordance with authority granted in RCW 39.34.030(4)(b), the Thurston-Mason BHO bylaws, and direction of the BHO Board.

Darren Bennett, Financial Services Manager for Thurston County, reports that he provided information to and has requested guidance from the BHO specialist at the Washington State Auditor's Office (SAO). She is consulting with the representatives at the Washington State Department of Social and Health Services (DSHS).

At this time, the SAO representative has not heard back from DSHS; she will continue to call today. According to Mr. Bennett, the SAO currently has advised the county to establish a Thurston County Special Revenue Fund. However, as she continues to gain understanding of the structure of our BHO, she says it is sounding more like an agency fund.

We anticipate guidance on the type of fund recommended by the SAO next week. In the event the SAO recommends a Thurston County fund, we will continue the conversation.

The SAO BARS Manual requires that all new entities coordinate with the SAO. It is recommended that the BHO requests Darren Bennett to be the official liaison to the SAO. Mr. Bennett and his staff will assist in setting up the appropriate financial policies and procedures for the BHO.

REVENUE

Revenue from the State of Washington..... \$49,568,033

The BHO has entered into contracts with the State of Washington for state and federal funds, including Medicaid. The current Thurston County budget assumes contracts in the amount of \$49.6 million. The budgeted amount has not yet been compared to contracts recently signed. Verification, and a potential amendment of the amount, is part of the budget adoption work plan.

Property Taxes from Thurston and Mason Counties \$392,475

RCW 71.20.110 requires counties to budget and levy \$0.025 per thousand dollars of assessed property valuation to provide community services for persons with developmental disabilities and mental health problems. Thurston County refers to the amount collected as “millage funds.”

In Thurston County, the total amount of millage funds deposited in Fund 1500 (the county’s Public Health and Social Services fund) was \$676,319 in 2015. Of this amount, \$309,533 was allocated to mental health and chemical dependency programs. The remainder was allocated to developmental disability programs.

The RSN received property tax contributions from Mason County. The total amount deposited in Fund 1500 from Mason County was \$170,768. Of this amount, \$85,384 was allocated to mental health and chemical dependency programs. The remainder was allocated to developmental disability programs.

Preliminary assumptions for the BHO budget included millage funds in the amount of \$296,070 from Thurston County and \$96,045 from Mason County.

RCW 39.34.060 allows public agencies that have entered into an agreement under RCW Chapter 39.34 to appropriate funds to the joint undertaking.

Given this law, both Thurston and Mason counties should consider the amount of millage funds each county will contribute to the operation of the BHO. Once each Board of County Commissioners determines the amount, each should pass a budget amendment that appropriates the millage funds directly to the BHO.

Liquor Profit and Excise Taxes \$40,000

RCW 70.96A.087 requires counties to devote at least 2% of its liquor distributions to support alcoholism and/or drug addiction programs.

In 2015, Thurston County received \$733,474 in liquor distributions. Of that amount, \$55,650 was deposited in Fund 1500. At 2%, the required deposit would have been \$14,669. We are looking into why the distribution was greater than the required amount.

Preliminary assumptions for the BHO budget included liquor distribution funds in the amount of \$40,000.

As with the millage funds, the Board of County Commissioners of each county should consider the amount of liquor distribution amounts that will be appropriated to the BHO, and pass a budget amendment once that amount has been determined.

Treatment Sales Tax \$1,834,819

RCW 82.14.460 allows counties to adopt a 1/10th of one percent sales tax to fund mental health and chemical dependency services, including therapeutic courts. Thurston County enacted this tax in 2008, and calls it the Treatment Sales Tax.

The Thurston County 2016 Budget appropriates \$2,188,204 to the Public Health and Social Services Department for services funding by Treatment Sales Tax (TST).

Of that amount, preliminary assumptions for the BHO budget included Thurston County TST funds in the amount of \$1,834,819.

The Thurston County Board of County Commissioner should consider the amount of TST funds that will continue to support programs through the BHO. Instead of a direct appropriation, given the oversight requirements for spending TST dollars, it is recommended that Thurston County enter into an inter-local agreement with the BHO for the expenditure of TST funds.

Mason County has also enacted this sales tax. It is recommended that the Mason County Board of County Commissioners also consider funding to be contracted through the BHO from this funding source.

Fund Balance \$34,535,802

The Thurston County fiscal year 2015 recently closed. The actual ending fund balance for Fund 1500 is \$34,533,284. The estimated RSN reserve is \$34,535,802.

Once the reserve is transferred from Fund 1500, this fund will be overdrawn and may not be able to meet cash flow needs. We are in the process of analyzing this impact. The Thurston County Board of County Commissioners should be given information on the impact and what steps can be taken to mitigate any anticipated issues prior to transferring the reserve.

BUDGET WORK PLAN

Given other assignments, it will take a few weeks to complete a review of the revenue sources for the BHO, the impact on Fund 1500, and establish fiscal policies for the BHO. It will also take a few weeks to conduct the required public hearing for budget amendments in each county. It is my recommendation that the appropriate steps be taken in each county's current budget amendment process, and the BHO budget be adopted effective July 1, 2016.

With the approval of this target date by the Commissioners from each county and the BHO Board, we will develop a detailed timeline for the required budget steps.