



May 18, 2020

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The Honorable Richard Pan, M.D.
Chair, Senate Budget Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

The Honorable Joaquin Arambula, M.D.
Chair, Assembly Budget Subcommittee #1
State Capitol, Room 5155
Sacramento, CA 95814

Re: County May Revision Health and Behavioral Health Priorities

Dear Senator Pan and Assembly Member Arambula:

On behalf of the California State Association of Counties (CSAC), I am writing to share health and behavioral health priorities for counties following the release of the Governor's May Revision Budget.

California's counties are on the very front lines of fighting the COVID-19 public health crisis, providing essential public health functions and behavioral health services as well as administering the state's safety net programs. The state's safety net system is almost entirely delivered by counties and is facing immense strain as demand for services increases while the revenues that support those same services steeply decline. CSAC appreciates that the Governor's May Revision prioritizes some people-centered services and short-term, limited CARES Act funding for county-run programs impacted by COVID-19. However, counties are deeply concerned about the exponential impacts of both a pandemic and recession on county public health and behavioral health services – and the people we all serve.

Realignment Revenues

The updated revenue projections in the May Revision were stark, indicating significant declines in 1991 Realignment and 2011 Realignment revenue in the current year and out years. In the current year alone, combined 1991 Realignment and 2011 Realignment revenues will fall \$1.7 billion short of achieving the base funding level. This means that county public health and behavioral health programs must operate on less revenue during the pandemic and recession than before either were a fact of daily life. Over two years (2019-20 and 2020-21), counties will suffer a \$3.3 billion reduction, crippling our ability to provide required services before we even account for increased costs and caseloads due to the pandemic. Counties are also unable to maintain compliance with federal and state regulations and requirements across all programs with this scale of funding reduction.

CSAC has outlined a Realignment funding request in a separate letter that details the need to stabilize this core funding in order to avoid extreme cuts to safety net programs at the time they are needed most. Below we outline the specific public health and behavioral health needs for counties, as well as issues related to the Governor's May Revision Budget.

County Public Health Costs and Impacts

County public health departments and local health officers serve in the epicenter of the COVID-19 quake, providing surveillance, testing, contact tracing, disease investigation, isolation support, and critical real-time data to our communities as we respond to the pandemic.

In addition to these urgently needed services, county public health systems also provide a wide array of programs intended to protect and improve the health of all Californians, including Infectious disease control programs, public health labs, public hospitals and clinics, chronic disease efforts, health equity and population health management, environmental health and safety, and health care surge capacity.

As mentioned above, the drop in 1991 Realignment revenue will severely impact local public health system response to COVID-19 as well as daily public health programs. For the Health Subaccount in 1991 Realignment, the base will decline from \$911 million in 2019-20 to at least \$886 million in 2020-21. And additional budget year impacts related to the Department of Finance's estimates for diverting Health Realignment under AB 85 (Chapter 24, Statutes of 2013) are unknown, but could reduce the amount of 1991 health realignment funding available at the local level even further. Lastly, it is important to note that county public health never truly recovered from the effects of the Great Recession and received \$120 million less in 1991 Realignment revenue in 2018-19 than in 2008-09.

The Governor's May Revision fails to address these issues, including the urgent and costly response to COVID-19. This pandemic will strain local public health resources for years to come in the absence of realignment and other assistance from the state. Further, counties are seeking funding to keep local health department infrastructure in operation, including local public health labs, whose numbers have dropped by roughly one per year, resulting in only 29 operating today. Counties also request a needs assessment for adequate public health services, assistance with workforce recruitment and retention, and a reduction in annual fees for vital public health nurses.

Behavioral Health Costs and Impacts

County behavioral health was under incredible strain before the COVID-19 pandemic and recession, and the lack of any proposed assistance for this critical set of services in these unprecedented times is alarming. Counties administer important federal entitlement programs such as Medi-Cal Specialty Mental Health Services, Drug Medi-Cal, and the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program for children. Additionally, counties also provide a range of Mental Health Services Act-funded community services and support for special and at-risk populations.

As mentioned in the Realignment section above, the specific impacts for county behavioral health include an ongoing structural loss of approximately 10 percent in 1991 Realignment and a 13-14% reduction to 2011 realignment across this year and next. Further, Mental Health Services Act (MHSA) revenues are forecast to drop by at least \$300 million in the current year alone.

Also, a drop in patient visits and shifts to telehealth due to the pandemic has reduced specialty mental health billing – and the intake of federal funding as well as the ability of community providers to stay afloat – by 30 percent so far.

County behavioral health systems have scrambled to provide critical person-centered services and supports via technology and other adaptations with no additional funding for alternative care sites, technology investments, and increased outreach. Outreach has been particularly important for thousands of new clients being redirected to the local level due to state-level decisions regarding State Hospitals, prison inmates, and zero bail policies.

These stark fiscal realities are compounded by an anticipated increase in demand for certain behavioral health services, such as EPSDT mental health services to children, who are significantly impacted by the pandemic. Counties are also seeing increases in requests for help with stress, depression, anxiety, family relationships, psychiatric crises, substance use disorders, and suicide intervention and prevention.

We implore the Legislature to invest funding to save California's safety net behavioral health system. Further, counties are requesting temporary emergency flexibility in expending MHSF funding, deferral of costly regulatory and administrative requirements, forgiveness of the 2018 federal Office of Inspector General audit repayment, and other administrative relief to help weather this storm. The compound effects of each of the challenges above – coupled with probable local county budget cuts – threaten to deconstruct a safety net system that serves millions of youth and adults every year and could lead to even greater costs – in both dollars and human lives – in the long run.

County Medical Services Program Diversion

CSAC is concerned about the Governor's May Revision proposal to divert \$50 million each year for four years from the County Medical Services Program's (CMSP) reserves. The CMSP Board offers safety-net indigent health care to residents and undocumented adults in 35 rural counties, and has provided millions in grant funding and bridge loans to counties and health care providers to help them stay afloat and provide necessary services and supplies during the COVID-19 public health emergency. We are analyzing the Governor's proposal and look forward to continued discussion with the Administration and Legislature on a solution that preserves this essential and innovative program for residents in our most hard-to-reach counties.

Vaping Tax

From a public health perspective, CSAC supports additional taxation of tobacco products to discourage use among both youth and adults. However, the current tobacco taxes on cigarettes, cigars, loose tobacco, and e-cigarettes also help fund county First 5 Commissions, which provide important services to children age 5 and under and their families. Local First 5 programs focus on nutrition, early literacy and language development, and smoking cessation. Currently, local First 5 Commissions are also providing special resources for parents during the pandemic, including parenting and online learning resources.

The Governor proposes a new "vaping" tax on e-cigarette products and the creation of a new special fund to support state Medi-Cal costs. Again, counties are supportive of ensuring the Medi-Cal program is stable and solvent, but are concerned about the potential interplay between the existing e-cigarette tax and the new proposed tax.

First, we are attempting to determine whether local First 5 Commissions would be eligible for any of the new funding, and more alarmingly, whether the existing e-cigarette revenue would be shifted from First 5 for the new special account. More analysis and discussion is needed, but we wanted to ensure the Legislature was aware of these concerns and the need for additional clarity.

Family Urgent Response System

CSAC opposes the May Revision proposal to eliminate the Family Urgent Response System (FURS), which was enacted in the 2019-20 budget. The purpose of this response system is to provide foster youth and their caregivers with the immediate support they need during times of emotional crisis, and link youth and families to needed supports and services to help stabilize the situation. The COVID-19 pandemic and stay-at-home orders may create greater strain on foster children and caregivers. Continuing funding for this program and prioritizing implementation can help better serve children and caregivers during this uniquely stressful and disruptive time.

CalAIM

The Governor proposes delaying the California Advancing and Innovating Medi-Cal (CalAIM) initiative indefinitely, including nearly \$40 million in direct funding for counties under the associated Behavioral Health Quality Improvement Program. Counties understand the need for the suspension of this innovative effort in these current times, but also note that we will also forgo achieving some efficiencies for both counties and clients within county-run Mental Health Plans and Drug-Medi-Cal. However, CSAC has joined the Department of Health Care Services in requesting extensions of both the Medicaid Section 1115 and 1915(b) waivers through December 31, 2021 to preserve critical health care, public hospital, and behavioral health funding and the Whole Person Care pilot program. These extensions are a critical component of any 2020-21 budget.

Should you have any questions about any of these priorities, please do not hesitate to contact me at (916) 595-7360 or fmcting@counties.org. Thank you for your consideration.

Sincerely,



Farrah McDaid Ting
Legislative Representative

cc: Honorable Members, Senate Budget and Fiscal Review Subcommittee #3
Honorable Members, Assembly Budget Subcommittee #1
The Honorable Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
Marjorie Swartz, Office of the Senate President pro Tempore
Agnes Lee, Office of the Assembly Speaker
Scott Ogus, Senate Budget and Fiscal Review Committee
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