May 22, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol Building, 1st Floor
Sacramento, CA 95814

The Honorable Toni Atkins
Senate President pro Tempore

The Honorable Holly Mitchell
Chair, Senate Budget and Fiscal Review
California State Senate
State Capitol, Room 5019
Sacramento, CA 95814

The Honorable Phil Ting
Chair, Budget Committee

State Capitol Building, Rm 205
Sacramento, CA 95814

California State Assembly
State Capitol, Room 6026
Sacramento, CA 95814

The Honorable Anthony Rendon
Assembly Speaker
State Capitol Building, Rm 219
Sacramento, CA 95814

RE: Backfill of Realignment Funding Needed to Save the Behavioral Health Safety Net

Dear Governor Newsom, Pro Tempore Atkins, Speaker Rendon, Chair Mitchell, and Chair Ting:

The undersigned behavioral health organizations appreciate the leadership and fortitude of the Administration and the Legislature in responding to the COVID-19 pandemic. California's county behavioral health agencies, community based providers, caretakers and family members are on the front lines ensuring low-income Californians continue to receive critical behavioral health services via Medi-Cal while also working to address the growing stress and trauma caused by the COVID-19 public health crisis. However, the state's safety net system, as delivered by counties and community based providers, is under immense strain and, in light of the growing behavioral health and public health crises and steep economic recession, we join hundreds of stakeholders in notifying you that these realigned services are at extreme risk and in dire need of direct state financial support.

We respectfully request an allocation of $3.3 billion for the current and budget year to prevent the impending decimation of behavioral health safety net services across the state. This number includes a loss of $710 million in 1991 and 2011 Realignment funds which support crucial county behavioral health crisis and Medi-Cal entitlement programs., such as Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program services for children, and services for additional vulnerable populations such as older adults and homeless individuals.

In the current year alone, combined 1991 Realignment and 2011 Realignment revenues will fall $1.7 billion short of achieving the base funding level. While the Department of Finance projections indicate that Realignment revenues may stabilize at a significantly reduced level in Fiscal Year (FY) 20/21, the current year loss of revenue means that Realignment funding in FY 20/21 will again drop $1.7 billion lower than revenues in FY 18/19. Taken together, this represents a $3.3 billion reduction over two years. When Realignment was designed, no one anticipated such steep declines in revenues for entitlement and other critical programs that counties administer on behalf of the state.

All core county behavioral health funding sources are expected to plummet. For the county behavioral health delivery system, losses in Realignment funding are compounded by losses in the other core county behavioral health funding sources such as the Mental Health Services Act (MHSA) and the federal matching funds leveraged with Realignment and MHSA funding. In FY 18/19, total funding for county behavioral health equaled approximately $9 billion. Based on fiscal projections for the current and the budget year, county behavioral health is estimated to lose close to $1 billion in funding due to drops in revenues and the impacts of COVID-19. This staggering loss in county behavioral health revenue will result in a system that cannot address the significant current and growing behavioral health needs. As indicated in the table below, county behavioral health funding will steeply decline in the current fiscal year by over $600 million across core county behavioral health funding sources. These funds will be unavailable to leverage for federal match resulting in an additional loss of approximately $300 million.

For the budget year and outyears, the core funding sources for county behavioral health will continue to decline and fall well below the FY 18/19 funding level.

Behavioral Health Estimated Funding
(Dollars in Millions)

	18/19	19/20	20/21	21/22	22/23	% Change 18/19-22/23
1991 MH Realignment	$1,270.8	$1,134.6	$1,134.6	$1,134.6	$1,134.6	-10.7%
2011 BH Realignment	$1,483.2	$1,250.2	$1,278.5	$1,322.9	$1,383.7	-6.7%
MHSA	$2,105.3	$1,847.8	$2,242.3	$1,919.3	$1,704.0	-19.1%
Total	$4,859.3	$4,232.6	$4,655.4*	$4,376.8	$4,222.3	-13.1%
Dollar Change		-$626.70	$422.80	-$278.60	-$154.50	
Percent Change		-12.9%	9.9%	-6.0%	-3.5%	

**The increase in FY 20/21 is due to the deferral of MHSA funds from FY 19/20 to FY 20/21.*

This forecast does not account for an estimated decline in Medi-Cal billed behavioral health services of approximately 30 percent in the current year due to the abrupt transition to telehealth, which has resulted in a compounding loss of federal revenues to support these programs. County behavioral health agencies will experience an ongoing deficit of around $136 million including10 percent in Realignment funding for behavioral health and still larger deficits in Mental Health Services Act (MHSA) funding because of steep outyear reductions. This drop will take county Realignment funding for behavioral health services back to funding levels from *sixteen years ago*, which when adjusted for inflation is equivalent to a $400 million ongoing structural deficit. This structural deficit is on top of pre-COVID-19 existing shortfalls in Realignment funding. Even before the pandemic, both 1991 and 2011 Realignments were failing to keep up with federal requirements for entitlement programs, including increasing demand for behavioral health services among children and young adults.

While county behavioral health funding plummets, needs for behavioral health services have grown significantly and are expected to accelerate due to the significant influx of individuals who are unemployed and have endured high levels of stress and trauma due to the Shelter in Place orders. This reinforces the need for additional funding for behavioral health services for children, transition aged youth, adults, and older adults in both the mental health and substance use disorder systems. While county behavioral health and community based agencies will experience a 11 to 19 percent reduction in revenues, it is important to note the reduction comes at a time when more Californians will qualify for Medi-Cal because of the COVID-19 associated economic downturn and more Californians will be in need of substance use and mental health services driven by the pandemic. Medi-Cal caseloads will grow by 2 million beneficiaries in FY 20/21. Increases in beneficiaries promises to put additional strain on the county behavioral health delivery system already charged with doing the unworkable - serving growing needs with insufficient and diminishing funding.

This impossible situation threatens services for children. When responsibility for EPSDT nonfederal share was realigned to counties in 2011, following the Great Recession, counties received dedicated revenues through sales and vehicle license fees to cover those costs, in addition to funding for adult substance use disorder treatment services. Currently, approximately 70 percent of 2011 Realignment funds are dedicated to spending on EPSDT. As a consequence, immediate reductions followed by a lack of growth in available 2011 Realignment funds will harm counties' and community based providers' ability to meet the increased enrollment and acuity needs for children's behavioral health services that will arise as a result of trauma experienced by children and families coping with physical, emotional, and economic fallout from COVID-19.

Another underserved population is older adults who are likely to experience longer Shelter in Place orders and therefore more prolonged mental health effects. Social isolation and loneliness have exacerbated pre-existing problems, and the increase in current requests for service have been significant. In addition, telehealth services have been costly and a challenge to roll out with this population as there are many older adults who lack the basic technology (such as internet service) and the digital literacy to engage in telehealth treatment effectively.

In addition to the mounting needs of existing and new Medi-Cal beneficiaries, the county and community based behavioral health delivery system must sustain crisis services under 1991 Realignment to address increasing demands for psychiatric emergencies and hospitalizations. Counties and providers currently operate crisis lines, warm lines, and suicide prevention programs which are vital to preventing COVID-19 related deaths of despair. Increased referrals from hospitals for substance use and mental health services are on the rise. Deaths by suicide and substance use disorder rates are already climbing and are expected to reach epidemic levels without adequate funding for prevention, intervention, and crisis services. Additionally, the county and community based providers provide a significant role in keeping those who need behavioral health services out of the emergency departments at hospitals so that they can focus on serving the most critical cases. *The current inadequacy of core county behavioral health funding sources threatens to extend this epidemic.*

Finally, county behavioral health departments and community based providers have adapted rapidly to address the immediate behavioral health needs of vulnerable populations in need of increased support during the pandemic. This includes coordinating and providing treatment services to thousands of former inmates from county jails and state prisons released into the community due to concerns related to COVID-19 spread in these settings. Additionally, services are needed for individuals with serious mental illness and SUD treatment needs being housed in Project Roomkey sites. However, the public safety net has received no new dedicated funding for these and other surge capacity efforts. Further, these behavioral health services are often ineligible for FEMA reimbursement.

With increasing Medi-Cal caseloads and declining Realignment and MHSA revenues, counties are anticipating a significant funding shortfall to manage entitlement and all other necessary behavioral health responsibilities. Although the $1.3 billion from the CARES Act Coronavirus Relief Fund, proposed to be allocated to all 58 counties, will provide short-term, one-time funding to partially assist counties in meeting new urgent COVID-19 related costs, it is unclear whether any of this funding will be spent on county behavioral health services. *Further, this funding will not address the ongoing structural deficits in Realignment funding.*

Your leadership in staving off a behavioral healthcare crisis is critically needed. This is not the time to waver in your commitment to Californians' behavioral health as the immediate and long-term impacts of unaddressed mental health and substance use disorder needs will have a detrimental impact on our state's ability to recover from the global pandemic. We collectively urge you to act on your commitment by

backfilling Realignment revenues to avoid the impending devastation of safety net services in our communities.

Respectfully,

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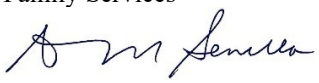

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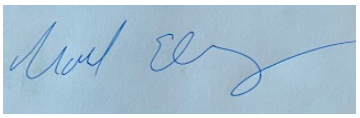

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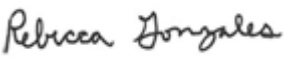

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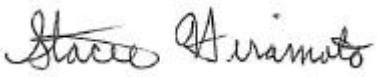

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