

Mental Health Services Act Funding Reduction Scenarios

Yolo County Board of Supervisors

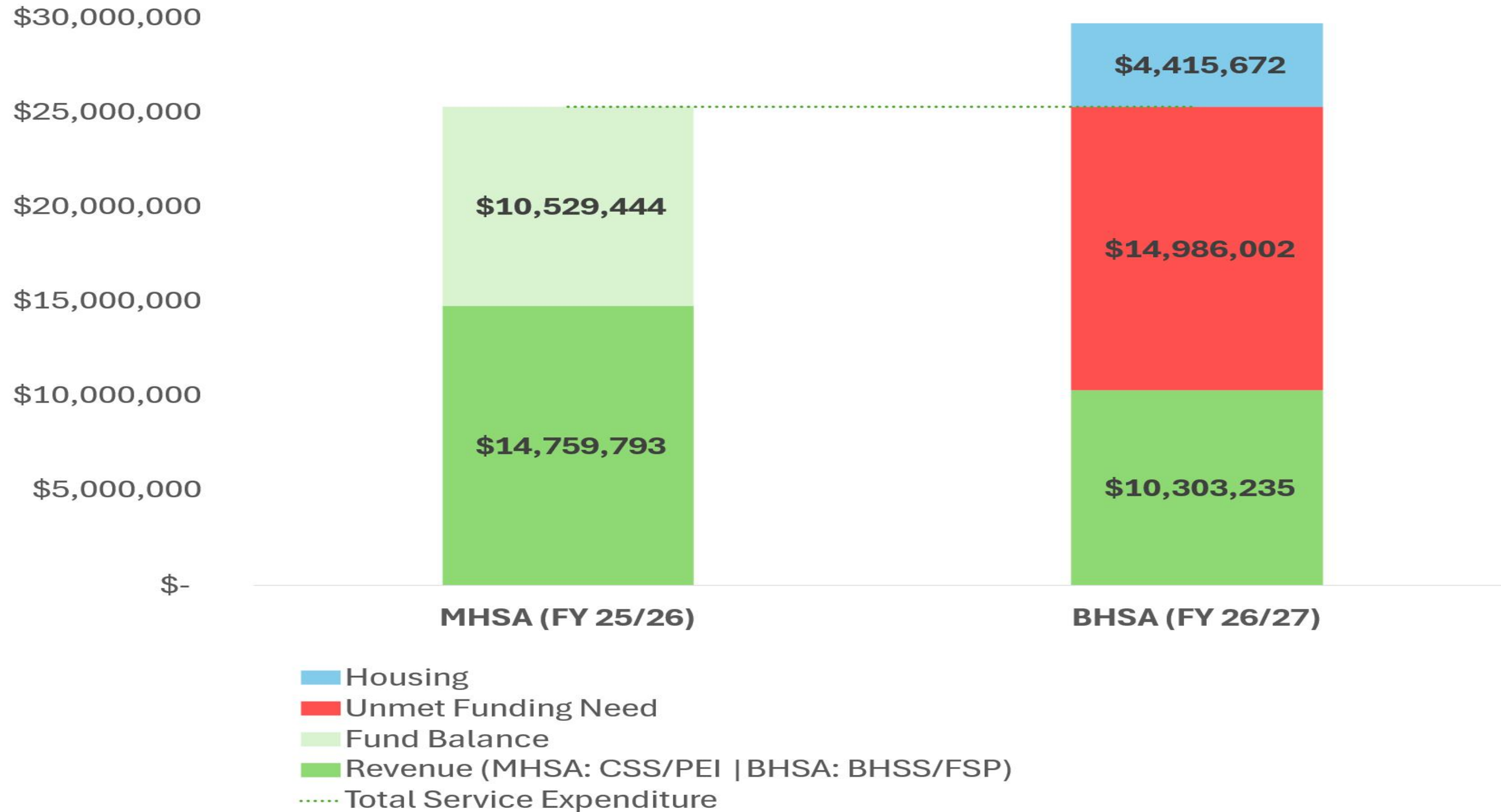
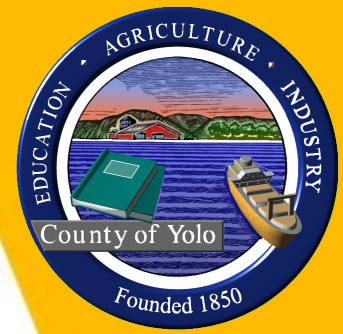
September 9, 2025

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June 2025 MHSA Structural Deficit Briefing



*Assumes same allocation for fiscal years 25/26 and 26/27.

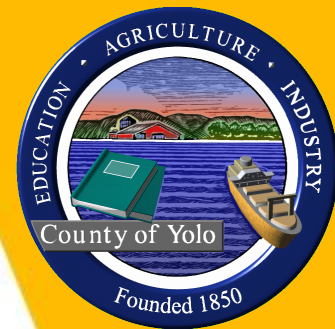


Update on MHSA Deficit

25/26 Adopted Budget:

- At Recommended Budget staff projected a \$11.4 million structural deficit
- At Adopted Budget the structural deficit was reduced to \$4.0 million.
- These were administrative reductions, not provider contracts.
- \$7.4 million dollar reduction in the deficit was achieved by:
 - ✓ Bringing Full-Service Partnership (FSP) contract in-house/reassignment of existing MHSA staff to FSP program/clients
 - ✓ Increased Medi-Cal revenue projections; aligned with FY2024-25 actuals
 - ✓ FTE allocation corrections
 - ✓ Reduction in Overhead costs
 - ✓ Other programmatic reductions
- *Structural deficit is projected to grow by approximately \$1.0 million for a total of \$5.0 million in FY2026-27, if no action is taken

*Assumes same allocation for fiscal years 25/26 and 26/27.



Considerations

- To right size the MHSA deficit, the board must consider cuts in two fiscal years:
 - FY 2025/26 = \$4 million dollars
 - FY2026/27 = \$5 million dollars*
 - represents 30% of revenue shift to housing and carryover deficit
- There are no other funding sources to offset the deficit
- The structural deficit can be addressed by reducing contracts, HHSA services, and/or using fund balances
- However, the Board directed HHSA **not to exhaust** the fund balances

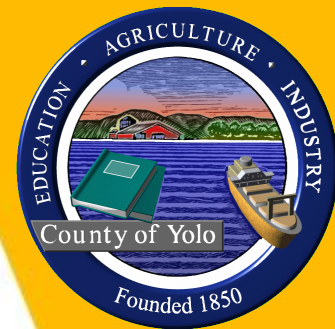
*Assumes same allocation for fiscal years 25/26 and 26/27.



Board Directive

The scenarios outlined are based on the priorities established by the Board on June 3, 2025 and the BHSA priorities.

- Focus on funding mandated service
- Prioritize Medi-Cal beneficiaries
- Maximize Medi-Cal reimbursement
- Reduce spending on discretionary programs



MHSA Transition- Prop 1 Priorities

BH Services Act (MHSA Reform to BHSA)

- Redistributes our County MHSA tax distribution: **\$14.8 million**
- Removes local control of prevention dollars 5% to state: **~\$775,000**
- Allocates 30% to Homeless and Housing: **\$4.4 million**
- Focuses on Full-Service Partnership clients
 - Under California law (Welfare and Institutions Code § 5887), counties must offer FSP services.
 - An FSP is a recovery-focused, community-based mental health program designed to support individuals with **severe mental illness**.

High Level Overview of SB 326 (Eggman)

Restructured the Funding Categories

Created a **New** Housing Category

Eliminated County-Based Prevention Funding

Eliminated Requirement for Separate Innovation Plans & Created a **New** Innovation Fund Overseen by the BHSOAC

Established BHSA as a **New** Source of Funding for Substance Use Disorder (SUD) Services

Doubled the State's Allocation of the Tax from 5% to 10% to Fund **New** Workforce & Population-Based Prevention Initiatives

Created **New** Priority Populations

Changes to the Community Program Planning (CPP) Process & Expanded Stakeholders

Created **New** Structure for Planning, Data Gathering, Reporting, & Accountability Across **ALL** County Behavioral Health Funding Streams

Increased Focus on Maximizing Medi-Cal Billing

Changed Role & Responsibilities of State Partners

State Administered Workforce & Prevention

- **BH Workforce Initiative** – DHCS will administer a portion of the funds, e.g., the **\$36M for BH-CONNECT Initiative** and the remaining **ongoing 3%** will be administered by the California Health Care Access & Information (HCAI) department.
 - Workforce funds will be focused on the county behavioral health workforce including county and contractor workforce
 - A portion of the funds can be used to provide technical assistance to support the use of peer support specialists
- **Population-Based Prevention** – CDPH will receive a minimum of 4% of the BHSA funds to administer prevention programming. Focus on stigma reduction and suicide prevention and will target the entire population of the state, a county or a specific community.
 - 51% of the funds **must** be directed to individuals 25 yrs and younger
 - BHSA prohibits use of this funding for 1:1 contacts
 - Allows CDPH to fund the following:
 - School-based health centers, student wellness centers, or student wellbeing centers
 - Group coaching and consultation
 - Student mental health first aid programs
 - Integrated training and support for schools designed to mitigate suspension and expulsion practice
 - Early childhood population-based prevention programs for children 0 to 5 years of age, inclusive, shall be provided in a range of settings

BHSA Housing Interventions

Core components of the Housing First Model are required across all Housing Interventions

30% of BHSA Funds: Housing Interventions include:

- **Rental Subsidies:**
 - Rental Assistance
 - Project-Based Housing Assistance
 - Master Leasing
- **Operating Subsidies**
- **Allowable Settings**
- **Other Housing Supports:**
 - Landlord Outreach & Mitigation Funds
 - Participant Assistance Funds
 - Housing Transition Navigation Services and Tenancy & Sustaining Services
 - Outreach and Engagement (maximum of up to 7%)
- **Other Housing Intervention Requirements**
- **Capital Development Projects (Max 25% of Housing component funds)**
- **Cannot use BHSA to pay for benefits covered by MCP**



BHSA Category	HOUSING 30%		TREATMENT 70%		
	<i>Up to 25% on Capital Projects (DHCS approval) 2% for NEW Administrative Costs</i>		Full-Service Partnership (FSP) 35%	Behavioral Health Services and Supports (BHSS) 35%	
Sub-Catetory	Chronically Homeless 50%	Housing Interventions for FSP Consumers 50%		Early Intervention 51%	Other 49%
Program Requirements:	<ul style="list-style-type: none"> -Focus on Encampments -Rental Subsidies -Operating Subsidies -Shared Housing -Family housing for eligible children & youth -Nonfederal share for transitional rent -Other housing supports, as defined by DHCS, including by -Capital development projects, including affordable housing -Project-based housing assistance, including master leasing of project-based housing. 		<ul style="list-style-type: none"> -Requires Evidence Based Practices including: <ul style="list-style-type: none"> - ACT & FACT to fidelity -IPS Supported Employment -High-fidelity wraparound -Outpatient and engagement services added in final language for 'persons enrolled' 	<ul style="list-style-type: none"> -Must be dedicated to Children/Youth under age 25. -Strategies focused on children and youth: <ul style="list-style-type: none"> • experiencing homelessness. •Justice-involved •Child welfare-involved children •With SUDs •LGBTQ 	<ul style="list-style-type: none"> -Children's System of Care services -Adult System of Care services -Outreach Services -Innovation Projects

Example Scenario 1: Reductions to County MHSA Programing

Program Description	Mandated BHSA Activities	Current M/C Billing for BH Services	People Served*	Current MHSA Allocation	Total Contract	25/26 % Reduction	Reduction in 25/26	25/26 FTE	26/27 % MHSA Reduction	Reduction in 26/27	26/27 FTE
Cultural Competence	NO	NO	216	459,306	459,306	100%	\$459,306	1.00	NA	NA	N/A
Early Signs Training and Assistance	NO	NO	87	422,227	422,227	100%	\$422,227	2.00	NA	NA	N/A
Adult Wellness Services	YES	YES	767	6,780,087	8,254,934	15%	\$1,017,013	2.98	40%	\$1,695,022	4.97
Children's Mental Health Services	YES	YES	61	419,225	718,233	15%	\$62,884	0.44	25%	\$41,923	0.30
Pathways to Independence-TAY	YES	YES	16	187,771	267,100	15%	\$28,166	0.15	25%	\$18,777	0.10
Older Adult Outreach and Assessment Program	YES	YES	25	77,253	103,967	15%	\$11,588	0.05	50%	\$7,725	0.03
Tele-Mental Health Services	YES	YES	243	1,971,129	2,781,233	15%	\$295,669	.61	25%	\$689,895	1.42
Community-Based Drop-In Navigation Center	Minimal	YES	108	448,095	601,353	15%	\$67,214	0.30	100%	\$380,881	1.68
Mental Health Crisis Services	YES	YES	212	1,269,250	5,039,100	15%	\$190,388	1.89	60%	\$571,163	5.68
Co-Occurring Disorder Assessment and Intake	YES	YES	47	562,232	761,713	15%	\$84,335	0.32	25%	\$56,223	N/A
Totals				12,596,575	19,409,166		\$ 2,638,789	9.74		\$3,461,608	14.19

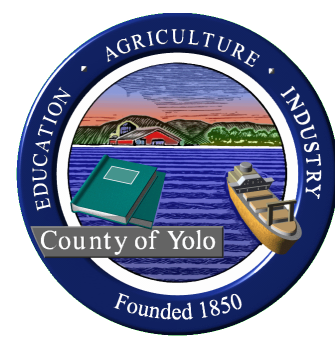


Example Scenario 2: Reductions to MHSA External Contracts

Program Description	Mandated BHSA Activities	Current M/C Billing for BH Services	People Served*	Current MHSA Allocation	Total Contract	25/26 % Reduction	Reduction in 25/26	26/27 % MHSA Reduction	Reduction in 26/27
Inpatient Hospitalization	YES	YES	144	413,280.00	900,291	50%	\$206,640	100%	\$206,640
Crisis Residential Services	YES	YES	37	14,908	191,836	50%	\$7,454	100%	\$7,454
K-12 School Partnerships (funding Tier services for non-FSP)	Partial	NO	862	1,708,610	3,809,030	45%	\$768,875	100%	\$939,736
WCC College Partnership (funding non FSP services)	Partial	NO	41	225,000	315,000	45%	\$101,250	100%	\$123,750
Help Me Grow	NO	NO	433	650,000	650,000	45%	\$292,500	100%	\$357,500
Peer and Family-Led Support (NAMI)	NO	NO	52	197,720	197,720	45%	\$88,974	100%	\$108,746
Totals				\$3,209,518	\$6,063,877		\$1,465,693		\$1,743,820

*Based on partial data submitted for the annual MHSA report.

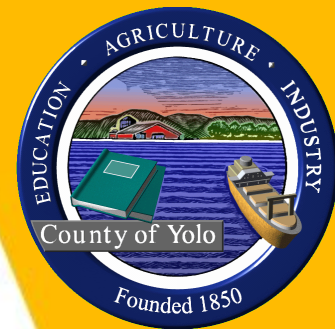
Example Scenario 3: Reductions to County & Contractors



Reduce both scenario 1 & 2 to reach deficit targets.

Program Description	Current MHSA Allocation	Reduction in 25/26	Reduction in 26/27
Inpatient Hospitalization	413,280	\$206,640	\$206,640
Crisis Residential Services	14,908	\$7,454	\$7,454
K-12 School Partnerships (funding Tier services for non-FSP)	1,708,610	\$768,875	\$939,736
WCC College Partnership (funding non FSP services)	225,000	\$101,250	\$123,750
Help Me Grow	650,000	\$292,500	\$357,500
Peer and Family-Led Support (NAMI)	197,720	\$88,974	\$108,746
Totals	\$3,209,518	\$1,465,693	\$1,743,820

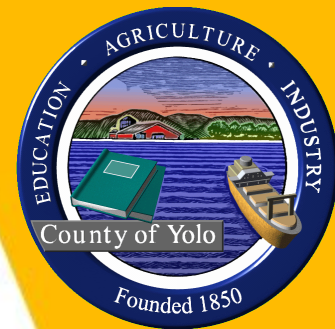
Program Description	Current MHSA Allocation	Reduction in 25/26	Reduction in 26/27
Cultural Competence	459,306	\$459,306	NA
Early Signs Training and Assistance	422,227	\$422,227	NA
Adult Wellness Services	6,780,087	\$1,017,013	\$1,695,022
Children's Mental Health Services	419,225	\$62,884	\$41,923
Pathways to Independence- TAY	187,771	\$28,166	\$18,777
Older Adult Outreach and Assessment Program	77,253	\$11,588	\$7,725
Tele-Mental Health Services	1,971,129	\$295,669	\$689,895
Community-Based Drop-In Navigation Center	448,095	\$67,214	\$380,881
Mental Health Crisis Services	1,269,250	\$190,388	\$571,163
Co-Occurring Disorder Assessment and Intake	562,232	\$84,335	\$56,223



Recommendations:

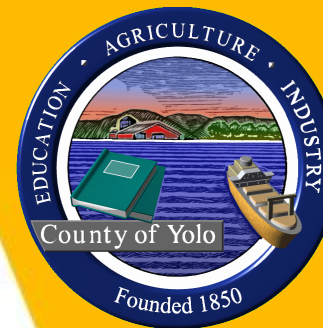
- To address the current and future MHSA deficit, staff recommends a blended budget approach that includes both contractors and county MHSA programming, similar to scenario 3.

Fiscal Year	Cut Needed	Amount Cut	
2025-2026	\$4.0 million	\$4,104,482	
		Contractors \$1,465,693	CBH-MHSA \$2,638,789
2026-2027	\$5 million	\$5,205,434	
		Contractors \$1,743,826	CBH-MHSA \$3,461,608
Total Cut	\$9 million	\$ 9,309,916	



Recommended Next Steps:

- **September 23, 2025**
 - Board approves current MHSA programming via Adopted Budget
- **October 7, 2025**
 - Board provides reduction guidance and approves budget resolution
- **October 31, 2025 - November 29, 2025**
 - Annual plan update for 30-day public comment period
- **By November 30, 2025**
 - Amend and reduce contracts with providers
- **December 9, 2025**
 - Final MHSA annual update to Board for approval
- **January 13, 2026**
 - BHSA Plan Update to Board
- **March 31, 2026**
 - BHSA Plan due to DHCS
- **June 2026 – Recommended Budget**
 - Board approves additional reductions
 - County transitions to BHSA effective July 1, 2026



Questions or Comments