



## County of Santa Cruz Board of Supervisors

### Agenda Item Submittal

**From:** Health Services Agency

**Subject:** Proposed 2025-26 Budget for Health Services Agency

**Meeting Date:** June 3, 2025

**Formal Title:** Consider presentation on the Proposed 2025-26 Budget for the Health Services Agency, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer

### Recommended Actions

1. Receive presentation on the Proposed 2025-26 Budget for the Health Services Agency, including any supplemental materials, as provided in the referenced budget documents:
  - [Proposed Budget](#)
  - [Supplemental Budget](#)
  - [Fixed Assets](#)
  - [Continuing Agreements List](#)
  - [Unified Fee Schedule](#)
  - Presentation
2. Continue to June 10, 2025, approval of the Proposed 2025-26 Budget for the Health Services Agency, including any supplemental materials; and
3. Direct the Health Services Agency to align the County administered Safe Use and Overdose Prevention Program exchange services with the Centers for Disease Control and Prevention's evidence-based best practices, including implementation of a needs-based syringe distribution model.

### Executive Summary

The Proposed 2025-26 Budget with Supplemental changes for the Health Services Agency supports six divisions: Administration, Health Centers, Public Health, Behavioral Health, Benefits, and Environmental Health, with funded staffing of 658.85 funded full-time equivalent (FTE) positions.

### Discussion

The mission of the Health Services Agency (HSA) is to promote and ensure a healthy community and environment by providing education, outreach, and comprehensive health services in an inclusive and accessible manner. Department and division operational objectives are shown in the Proposed 2025-26 Budget document and 2025-27 Operational Plan. Both are available online at [Proposed Budget](#) and [www.SCCVision.us](http://www.SCCVision.us)

The HSA Proposed Budget includes negotiated salary and benefit increase as well as a change in facility charges to properly reflect the cost of facility services and utilities. The budget also includes \$6,666,000 for four capital projects identified in the [2025-2030 Capital Improvement Plan \(CIP\)](#).

HSA is closely monitoring changes in state and federal policies that may impact key

funding sources, including Medi-Cal, behavioral health, and public health programs. Several recent reductions have already affected service delivery. The National Initiative to Address COVID-19 Health Disparities (CERI) was canceled, resulting in the loss of \$78,000 in unspent funds from the original \$323,000 grant. The Immunization and Vaccines for Children – COVID Supplemental Round 4 grant, originally totaling \$875,000, was also canceled, resulting in a \$330,000 loss for Fiscal Year (FY) 2024-25. While services will continue through the remainder of the fiscal year using other grant funds, this shift may affect funding availability in FY 2025-26. Additionally, the \$466,000 Epidemiology and Laboratory Capacity (ELC) grant was fully expended before being discontinued, meaning no renewal funds will be received. HSA will continue to adapt and reallocate resources as needed to maintain essential services amid ongoing uncertainty in funding.

The HSA Proposed Budget incorporates key service changes, including staffing and service reductions primarily in the Behavioral Health, Health Centers, and Public Health divisions, to ensure the continued provision of mandated services, compliance with grant requirements, and the preservation of patient and community safety. These adjustments do not account for potential impacts from federal policy changes. The budget addresses significant revenue declines driven by CalAIM (California Advancing and Innovating Medi-Cal) Behavioral Health Payment Reform, low Medi-Cal reimbursement, and reduced Mental Health Services Act (MHSA) funding. Additionally, the Health Centers Division is contending with rising personnel costs and inflationary pressures on services and supplies, prompting efforts to mitigate these impacts through cost reductions and improved clinical provider productivity. The budget also deletes laboratory and radiology services inside our Clinics to community providers to reduce expenses while maintaining patient access through referrals.

The HSA Supplemental Budget accounts for a significant increase in total revenues of \$4,462,180, resulting from a \$3,397,180 increase from Opioid Settlement Fund revenues and a \$1,065,000 increase from Tobacco Settlement Fund revenues. It also includes significant increases to intrafund transfers, services and supplies, and other charges largely due to the Intergovernmental Transfer (IGT) Trust Fund, needed professional services, and County overhead.

Funded staffing has been amended to a total of 658.85 FTE positions including a net reduction of 74.4 FTE positions, including the deletion of 11.60 FTE filled positions, 8.0 FTE vacant limited term positions, and 55.3 FTE vacant positions, which is partially offset by the addition of 0.50 FTE position. Changes by division are summarized below:

- Administration: Delete 2.0 FTE vacant positions and transfer in 1.0 FTE position from Behavioral Health.
- Public Health: Delete 11.0 FTE vacant positions and transfer in 1.0 FTE position from Behavioral Health Substance Use Disorder Services.
- Behavioral Health: Delete 4.0 FTE filled positions, delete 37.0 FTE vacant positions, add 0.5 FTE positions, and transfer out 3.0 FTE positions to Administration, Public Health, and Health Centers.
- Health Centers: Delete 7.6 FTE filled positions, 13.30 FTE vacant positions, and transfer in 1.0 FTE position from Behavioral Health.

Budgeted funding will continue to support critical staff efforts that ensure the delivery of high-quality, mandated and core services across the department. This includes maintaining compliance with state and federal regulations, meeting the specific

requirements of various grant programs, and upholding the safety and well-being of both patients and the broader community. Staff will remain focused on core responsibilities such as service coordination, program oversight, and quality assurance to ensure continuity of care and adherence to public health standards. An example of adherence to public health standards includes the department's recommendation to adhere to evidence-based practices for implementation of harm reduction programming through the Safe Use and Overdose Prevention Program (SUOPP).

Over the next fiscal year, HSA will focus on advancing key initiatives that align with the County's Operational Plan 2025-27, while responding to emerging fiscal and policy challenges. With a budget shaped by constrained state and federal revenues, rising costs for salaries, benefits, and essential services, HSA is prioritizing the completion and operational launch of the new Children's Crisis Stabilization Center and development of a Low-Barrier Navigation Center for behavioral health clients.

HSA will also address increased costs associated with mandated behavioral health services - including those stemming from Senate Bill 43. Behavioral Health will continue responding to over 20 State mandates while managing revenue shortfalls from CalAIM payment reforms and the transition from the Mental Health Services Act (MHSA) to Behavioral Health Services Act (BHSA), which reallocates approximately 30% of MHSA treatment funding to State-directed housing initiatives.

In Public Health, implementation of the 2024 Community Health Improvement Plan and rising communicable disease cases and emergency medical services are key priorities. Meanwhile, Environmental Health is modernizing land use processes and data systems to improve transparency and customer service. Across all divisions, HSA remains committed to meeting mandates, protecting vulnerable populations, and sustaining critical services amid ongoing economic and policy uncertainty.

### **Financial Impact**

The HSA Proposed Budget with Supplemental changes includes \$308,604,421 in expenditures offset by \$287,480,486 in revenues, \$20,712,232 in General Fund contribution, \$400,000 in District Sales Tax contribution, and Other Fund contributions of \$11,703. This reflects a total expenditure decrease of \$4,515,762 or 1.4% from the Fiscal Year 2024-25 Adopted Budget.

### **Strategic Initiatives**

Operational Plan - Comprehensive Health & Safety, Sustainable Environment, Dynamic Economy, Operational Excellence

### **Submitted By:**

Monica Morales, Director of Health Services

### **Recommended By:**

Carlos J. Palacios, County Executive Officer

### **Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.