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TO: Members of the Senate Budget Committee

FROM: Kelly Brooks, Legislative Representative
California State Association of Counties

RE: Governor's Budget Proposal to Divert Mental Health Services Act Funds – OPPOSE

On behalf of the California State Association of Counties (CSAC), I am writing to communicate our strong opposition to the Governor's Fiscal Year 2010-11 and 2011-12 proposals to sweep \$452 million a year for two years away from the voter-approved Mental Health Services Act (MHSA) of 2004. The Governor proposes to use these MHSA funds to backfill the state funding in the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Program and Medi-Cal Mental Health Managed Care.

Counties, as partners of the state, are acutely aware of the current fiscal pressures under which California operates, and we are committed to seeking equitable and operable solutions in this climate. We urge the committee to evaluate any new cut proposals against a series of four criteria, outlined below.

- What would be the impact on job creation and retention?
- Would the cut return funding to the federal government?
- Would this cut increase costs in another area of the budget?
- Would the cut shift costs to other levels of government?

Job Creation and Retention. As outlined below, the proposal will reduce mental health funding in California by at least \$700 million per year. With revenue losses of that magnitude, counties will layoff employees and eliminate contracts with private providers and community based organizations. In addition, fewer individuals will be served by the mental health system – imperiling the ability of individuals to recover and lead productive lives, with tax-paying jobs. The *indirect costs* of all mental illness imposed a nearly \$79 billion loss on the U.S. economy in 1990 (the most recent year for which estimates are available) (Rice & Miller, 1996).

Federal Funding. Not only is the proposal short sighted, but it also robs the state and counties of the ability to use MHSA funding to draw down federal Medicaid funds, thereby magnifying the costs and consequences of any diversion. Conservatively, the mental health system could lose at least \$250 million in Federal Financial Participation (FFP) from Medicaid each year.

Increased Costs. Untreated mental illness is the leading cause of disability and suicide, and costs state and county governments billions of dollars each year in

emergency medical care, long-term nursing home care, unemployment, state hospitals, juvenile justice, and jails and prisons.

In addition, the behavioral health needs of in our communities are increasing due to the influx of Iraq and Afghanistan veterans, the stress of the economic crisis, and the elimination of funding for prevention and drug and alcohol treatment programs statewide.

Cost Shifts. Again, counties will incur increased costs in our emergency rooms, juvenile justice and jail systems. Disinvestments out of mental health services will certainly lead to increased homelessness and increased pressure on General Assistance programs.

The community mental health safety net is the only tool we have to prevent individuals with serious mental illness from becoming homeless, institutionalized, or incarcerated. The Governor's scheme to use MHSA funding to reduce the state's funding responsibilities for other existing key statewide mental health programs is complicated and ill-conceived and will have long-term implications for counties' ability to provide services.

If you have any questions regarding our opposition to the Governor's proposals, please contact me at (916) 327-7500 ext. 531, or kbrooks@counties.org.

cc: Senate President pro Tempore Darrell Steinberg
Diane Van Maren, Consultant, Senate Budget and Fiscal Review
Kiyomi Burchill, Consultant, Senate President pro Tempore
Ana Matosantos, Director, Department of Finance
Jennifer Kent, Legislative Deputy, Office of the Governor