

# **The State Budget and Local Health Services in California: Surveys of County Officials**

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# Summary

This report represents the first comprehensive analysis of how local health programs in California have fared in the context of the state's budget situation in fiscal year 2003-2004. The findings are based on a mail survey of county officials conducted from late December 2003 through March 2004 by the Public Policy Institute of California.

Funded by The California Endowment, the survey was mailed to the heads of county health departments and mental health departments in all 58 counties. The combined responses to the survey questions on county health services (i.e., from umbrella agencies and county public health departments) reflect a response rate of 57 percent and include 78 percent of the state's population. For the survey responses in this report including only the separate mental health departments, the response rate is 69 percent of the counties that have such departments.

The following are the major findings from the surveys of county officials:

## *County Health Services*

- Nine in 10 county health officials ranked the current budget situation as worse than previous budget situations, while eight in 10 said they received less state funding than a year ago (77%) and that state funding changes were "one of the most important factors" contributing to budgetary pressures in their department (81%).
- Half or more say that budget shortfalls have caused their departments to reduce staff (67%), reduce programs (53%), eliminate services or programs (50%), and cut funding for contract providers (50%), while 41 percent say they increased fees.
- Majorities of county officials say they are less able to serve the uninsured (61%), undocumented immigrants (55%), and homeless persons (53%) and less able to provide outpatient indigent care (57%), inpatient indigent care (52%), and public health and preventive care (52%) compared to last year. Most say that both mandated services (62%) and discretionary services (84%) are negatively affected by the state budget situation.
- Fifty percent of those departments providing alcohol and drug prevention and treatment say they experienced cutbacks in this service in fiscal year 2003-2004. About one in three who provide the following health services also say they have experienced cutbacks in these programs: AIDS education and treatment (32%), child health and disability (30%), maternal, child, and adolescent health (37%), health education (34%), and dental health (37%).

## *County Mental Health Services*

- Ninety-four percent of county mental health officials ranked the current budget situation as worse than previous years, while 82 percent said they received less state funding than a year ago, and 89 percent said that state funding changes were "one of the most important factors" contributing to local budgetary pressures.

- Half or more of county mental health officials say that budget shortfalls have caused staff reductions (56%), cuts in funding for contract providers (56%), and program reductions (50%), while 39 percent say they have had to eliminate services and programs because of budget shortfalls. Relatively few mental health officials say their counties have increased fees (21%), and none have increased taxes in response to budget shortfalls.
- Majorities of county mental health officials say they are less able to serve the uninsured (94%), undocumented immigrants (67%), homeless persons (67%), adolescents and teens (56%), children (56%), and seniors/older adults (56%). Most say that both mandated services (89%) and discretionary services (94%) are negatively affected by the state budget situation in fiscal year 2003-2004.
- Four in 10 or more of the counties that are currently providing mental health services as part of the Children's System of Care (47%) and support for independent living (40%) say they have experienced cutbacks, while about three in 10 of the counties providing mental health services in vocational assistance (36%), support services for families (29%), and day treatment in community settings (28%) say they experienced cutbacks this year.<sup>1</sup>

### ***Conclusions: Looking to Fiscal Year 2004-2005 and Beyond***

- Many county officials expressed concerns about the impacts of the unpredictability of state funding streams and noted that the uncertainties about funding made it difficult for their counties to plan and provide health and mental health services.
- Some county health and mental health officials pointed to the need to change the state-local relationship in ways that provide greater fiscal independence for counties.
- Given the likelihood of state funds shrinking, a lack of local control over revenues, and what they see as growing demands for health and mental health services in their population, some officials recommended that the governor and state legislature look beyond the budget situation to fundamental state and local structural reforms.

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<sup>1</sup> For these findings on spending cuts for specific mental-health services, we report on the combined responses of county umbrella agency administrators and the heads of mental health departments.

# Introduction

More than half of county governments' funding in California is derived from sources outside the county, with 41 percent from the state government representing by far the largest source of revenues.<sup>2</sup> During fiscal year 2003-2004, California experienced the largest state budget shortfall in the nation and in the state's history – at one point, an estimated \$38.2 billion. Moreover, we suspect that county governments would find it difficult to make up lost state revenues from local sources, given the weak economy in the past year, the limitations on county revenue authority, and the two-thirds vote requirement needed to increase local special taxes since the Proposition 13 tax limitation was passed in 1978. To what extent did the state budget deficit affect local programs this fiscal year, and how did counties cope with these conditions?

County governments spend about 17 percent of their annual budgets on health programs – including public health, medical care, mental health, and drug and alcohol abuse – largely as “agents of the state” in providing local programs for Californians in need of health care services.<sup>3</sup> County health departments have many state and federal mandates to fulfill – for example, they serve as the “safety net” to millions of uninsured Californians, and they also provide much of the public health infrastructure and outreach efforts. With the new emphasis on local homeland security, county governments have also gained the responsibility of local bioterrorism contingency planning, with federal dollars flowing to those programs.

With funding from The California Endowment, the Public Policy Institute of California (PPIC) conducted a survey of county officials to determine the levels and types of reductions that were made in health and mental health programs in fiscal year 2003-2004.<sup>4</sup> This survey offers a benchmark for later comparisons while providing the first comprehensive analysis of how county health and mental health departments are faring in light of the state's budget situation.

Specifically, we sought to answer these questions:

- How do county health officials rank the impacts of this year's budget shortfall compared to previous years? How much did changes in state funding contribute to local budget pressures relative to other funding and expenditure pressures?
- How many counties report that they are less able to provide health services or less able to provide health services to specific population groups? Which health-related services were the most likely to experience cutbacks this year?
- How did county health departments bridge their budgetary gaps this year? What kinds of cost-savings and types of revenue-increasing measures were used?
- How much did changes in state funding contribute to local budget pressures on county mental health services?
- Which types of mental health services and specific population groups seemed to bear the burden of budget cuts? What are the specific types of mental health-related services provided by counties today that have experienced cutbacks?

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<sup>2</sup> State of California Counties Annual Report – Fiscal Year 2000-2001

<sup>3</sup> *ibid.*

<sup>4</sup> The survey benefited from discussions with staff at The California Endowment; however, the survey methods, questions, and contents of this report were solely determined by PPIC.

- Were specific expenditure reductions and tax and fee increases used to bridge the budget gap between spending and revenues in mental health services?
- What are the concerns of county health officials regarding the upcoming fiscal year, and what advice and suggestions do they have for the state's officials?

## Surveys of County Officials

In late December 2003—about half way through the fiscal year – we mailed questionnaires to the heads of county health departments and mental health departments in all 58 counties in California.<sup>5</sup> County governments structure their health and mental health departments somewhat differently – in some cases placing both departments under a single umbrella agency such as a Health Services Agency with a top administrator, and in some cases separating public health and mental health functions into two distinct departments.

We dealt with these organizational differences by sending slightly different surveys to counties: (1) In counties that have an umbrella health and human services agency that houses both the health and mental health departments, we sent one survey to the head of the umbrella agency; (2) In counties with no such agency, we sent a public health survey and a mental health survey to the respective department directors.

The combined responses to the survey questions on county health services (i.e., from umbrella agencies and public health departments) through March 2004 represent a response rate of 57 percent and include 78 percent of the state's population. Nearly all of the state's largest counties (i.e., those with a population of more than 500,000) responded (13 of 15 large counties). The combined responses to the questions on county mental health services (i.e., from umbrella agencies and mental health departments) represent a response rate of 57 percent and include 65 percent of the state's population. For the survey responses in this report including only the mental health departments, the response rate is 69 percent.

An example of the survey instrument sent to umbrella health agencies, including all of the questions both on public health and mental health services, may be found in the appendices, along with a discussion of the survey methodology.

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<sup>5</sup> We also mailed surveys to the three cities that have their own health departments and to all 14 public hospitals with executive directors in the state. However, we received no responses from the cities and only two responses from the public hospitals, so the responses of noncounty health officials are not included in this report.



# County Health Services

## Perceptions of Current Budget Situation

In California, state budget deficits that create constraints for counties are not a new experience. However, county health officials perceive their current budget situation as among the worst in their experience. When asked to compare the budget shortfalls of the current fiscal year to previous shortfalls in terms of the effects on counties' ability to meet residents' health needs, nine in 10 county health officials reported that this fiscal year's local budget shortfalls were worse than previous shortfalls, and half of the department heads said that the situation this year was "much worse" than in previous years. Few department heads said that their budget situation was better (3%) or about the same (6%). Importantly, 71 percent of county health officials who say they have been in the county health field for more than 20 years reported the current situation is "much worse" than previous budget situations. Large counties (those over 500,000 population) presented similar evaluations of the local budget situation.

**Table 1**  
**"Is the budget situation for FY 2003-2004 better, about the same, slightly worse, or much worse than previous budget situations?"**

Budget situation	CA Counties	Large Counties (pop >500,000)
Better	3%	0%
About the same	6	8
Slightly worse	42	38
Much worse	49	54

When asked if their departments received more, about the same, or less funding from state, local, or federal government sources during FY 2003-2004 compared to the previous year, three in four public health department heads say they received less funding from state funding sources (77%), compared to half who said they received less funding from local sources (48%) and one in four who said they received less from federal sources (23%). In terms of changing funding levels, large counties do not differ significantly from all counties.

**Table 2**  
**"Thinking about the current fiscal year (FY03-04), would you say your department has received more, about the same, or less total funding from county, state, and federal sources than one year ago?"**

Funding source	% reporting "less total funding"	
	CA Counties	Large Counties (pop>500,000)
State	77%	75%
County	48	50
Federal	23	25

## Sources of Local Budget Pressure

There are many possible sources of fiscal pressure on local departmental budgets. Nevertheless, most county health officials (eight in 10) point to funding changes from state government sources as the most important factor contributing to local budget pressures. By contrast, about half of county health officials mention collective bargaining and issues relating to employee wages and benefits (53%) and local funding changes (50%) as among the most important factors.

Approximately four in 10 county health officials said that medical cost inflation (45%), state and federal service mandates (44%), federal funding changes (42%), and caseload increases (41%) were among the most important factors contributing to departmental budget pressures this year. Only 16 percent said that public pressure for enhanced levels of service represented one of the most important factors, although 52 percent named this issue as a “fairly important” source of budgetary pressures in the past year.

Large counties were as likely as all counties to name state funding as the most important factor in local budget pressures. However, large counties were more likely than all counties to report collective bargaining and employee wages and benefits (62%), local funding changes (61%), and medical cost inflation (69%) as some of the “most important factors.”

**Table 3**  
**“How important are the following factors in contributing to budgetary pressures in your department?”**

Factors contributing to budgetary pressures	% reporting “one of the most important factors”	
	CA Counties	Large Counties (pop>500,000)
State funding changes	81%	75%
Collective bargaining/employee wages and benefits	53	62
Local funding changes	50	61
Medical cost inflation	45	69
Mandates from higher levels of government	44	46
Federal funding changes	42	38
Caseload increases	41	31
Public pressure for enhanced levels of service	16	8

## Methods of Reducing Spending

How did county health departments address the local budgetary shortfalls they largely attributed to the state budget situation in fiscal year 2003-2004? Many county health officials say their departments did so by approving a variety of specific expenditure-limiting measures over the course of this past year.

Two in three department heads say their county government approved staff reductions (67%), while half reported approving program reductions (53%), eliminating services or programs (50%), and cutting funding for community-based organizations or contract providers (50%). Although fewer counties say they actually approved facility closures this year (23%), half say they at least discussed or considered this option (53%).

Large counties were much more likely than all counties to turn to staff reductions as a way to limit expenditures. Otherwise, the trends in large counties were similar to those reported for all counties – about half approved program reductions, service and program eliminations, and cutting funding for contractors, while one in four say they closed facilities.

**Table 4**  
**"During the current fiscal year (FY03-04) have budget shortfalls caused your county/department to consider and/or implement any of the following to limit expenditures?"**

Expenditure-limiting measures	<u>% reporting "approved"</u>	
	CA Counties	Large Counties (pop>500,000)
Staff reductions	67%	83%
Program reductions	53	58
Eliminating services or programs	50	42
Cutting funding for CBOs/contract providers	50	50
Facility closures	23	25

## Impacts on Local Residents

When we asked county health directors to report whether their departments were able to provide more, less, or the same level of service to various populations of residents compared to last year, many said that they were providing less to the population groups who are typically dependent on publicly-provided health care.

As a result of fiscal constraints on their local budgets this year, strong majorities of county health department officials report that they are less able to serve the public health needs of the uninsured population (61%), undocumented immigrants (55%), and the homeless (53%) than they were one year ago. Compared to other counties, large counties are even more likely to report being less able to serve the uninsured population this year (69%).

About one in three county health officials say that they are less able to serve adolescents/teens (34%), women (33%), children (33%), and seniors/older adults (31%). Two in three counties (67%) say that their ability to serve women was about the same this year as last year, and seven in 10 (69%) say that older adults received about the same level and quality of service this year as last year.

**Table 5**  
**“Would you say your department is better able, about the same, or less able to serve the following populations of residents (during FY03-04) than it was one year ago?”**

Population	% reporting “less able”	
	CA Counties	Large Counties (pop>500,000)
The uninsured	61%	69%
Undocumented immigrants	55	58
Homeless persons	53	42
Adolescents/teens	34	31
Women	33	46
Children	33	38
Seniors/older adults	31	33

## Impacts on Local Health Services

We also asked directors to report on their ability to provide several of the service functions that county health departments commonly provide. When asked to report how well their health departments were able to carry out these functions during the current fiscal year compared to last year, more than half said they were less able to carry out outpatient indigent care (57%), inpatient indigent care (52%), and public health and preventive care (52%). Large counties were more likely than other counties to report being less able to carry out outpatient indigent care (67%). Environmental health functions fared better – only two in 10 counties reported that they were less able to carry out this function, while three in four reported that they were able to carry out environmental health functions at “about the same” levels as last year.

**Table 6**

**“In terms of the level and quality of services, would you say that your department is better, about the same, or less able to carry out or fund the following functions (during FY03-04) than it was one year ago?”**

Function	% reporting “less able”	
	CA Counties	Large Counties (pop>500,000)
Outpatient indigent care	57%	67%
Inpatient indigent care	52	50
Public health and preventive care	52	46
Environmental health	21	17

Public health departments are feeling the budget crunch when it comes to offering both discretionary services – that is, those provided at local option – and services mandated by higher-level governments. Because mandated services are by definition mandatory, fiscal shortfalls can mean that discretionary county health services are crowded out of the budget. As it so happens, large majorities of health departments have seen their abilities to provide both mandated (62%) and non-mandated (84%) services negatively affected by the FY 2003-2004 state budget situation. Large counties report they had an even more difficult time providing mandated services.

**Table 7**

**“Has the fiscal year 2003-2004 state budget situation positively affected, not significantly affected, or negatively affected your ability to provide federally or state mandated/non-mandated services?”**

Type of service	% reporting “negatively affected”	
	CA Counties	Large Counties (pop >500,000)
Mandated services	62%	85%
Non-mandated (discretionary) services	84	92

## Spending Cuts for Specific Health-Related Services

Our questionnaires not only asked department heads to indicate which specific health services they provide directly or through contract providers but also, importantly, which of these specific county health services were subject to spending cuts in 2003-2004.

About nine in 10 county health officials say that their health departments now provide, either directly or through contract providers, eight specific services: AIDS education and treatment (94%), bioterrorism preparedness (94%), flu clinics and immunizations (94%), Child Health and Disability Program (CHDP) (91%), maternal, child, and adolescent health services (91%), California Children Services (88%), disease prevention (88%), and health education (88%). Among those providing these services, about one in three cited cutbacks in maternal, child, and adolescent health (37%), health education (34%), AIDS education and treatment (32%), CHDP (30%), and disease prevention (28%).

About three in four county health officials say their departments provide the following six services, either directly or through contracting: nutrition services and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (85%), outreach and enrollment services (85%), emergency medical services (82%), alcohol and drug prevention and treatment (79%), reproductive health and family planning services (76%), and health services in jails/probation/juvenile justice systems (73%). Most notable for this group is the fact that 50 percent of those who provide alcohol and drug prevention and treatment cited cutbacks, while 25 percent of those who provide outreach and enrollment cited cutbacks in services.

Fewer county health officials say they provide health care for the following seven services: primary outpatient care (64%), health care for the homeless (61%), dental health services (58%), inpatient care (58%), in-home support services (52%), specialty outpatient care (52%), and trauma care (42%). The most pronounced cutbacks in this group are among those who provide dental health care (37%), primary outpatient care (24%), and specialty outpatient care (18%).

**Table 8**

**“County health departments provide many services to residents. Please indicate whether the following health-related services are provided by your county. Also, please indicate whether each service experienced service reductions to the public in the current fiscal year (2003-2004).”**

<b>Health-Related Services</b>	<b>Provided Directly or Through Contract</b>	<b>Experienced Cutbacks During FY 2003-2004*</b>
<b>AIDS education and treatment</b>	94%	32%
<b>Bioterrorism preparedness</b>	94	0
<b>Flu clinics and immunizations</b>	94	6
<b>Child Health and Disability Program</b>	91	30
<b>Maternal, child, and adolescent health</b>	91	37
<b>California Children Services</b>	88	10
<b>Disease prevention</b>	88	28
<b>Health education</b>	88	34
<b>Nutrition services and WIC</b>	85	7
<b>Outreach and enrollment</b>	85	25
<b>Emergency medical services</b>	82	0
<b>Alcohol and drug prevention and treatment</b>	79	50
<b>Reproductive health and family planning</b>	76	12
<b>Health services in jails/probation/juvenile justice systems</b>	73	17
<b>Primary outpatient care</b>	64	24
<b>Health care for the homeless</b>	61	5
<b>Dental health</b>	58	37
<b>Inpatient care</b>	58	5
<b>In-home support services</b>	52	0
<b>Specialty outpatient care</b>	52	18
<b>Trauma care</b>	42	0

\* Percentage is of those counties that provide or contract for the service in question.

We asked department heads to indicate the dollar amount of service cuts, and some of the survey respondents offered such specific details. The table below offers some examples of the specific cuts to health services noted by county officials

**Table 9  
Specific Examples of Cutbacks in County Health Departments\***

Type of Reduction	Population Affected	Amount of Reduction
Converted inpatient hospital to outpatient center**	All	\$10 million
a) Eliminated adult dental services b) Reduced outreach and referral services**	Adult indigent Homeless and others	\$5 million
Closed two outpatient clinics**	All	\$2.5-3 million
Reduced access; increased patient financial responsibility**	Indigent adults	\$1 million
Closed outlying offices	Rural residents	\$500,000
Reduced Fetal Infant Mortality Review (FIMR), Perinatal Outreach and Education (POE), and Black Infant Health program (BIH)**	Children and families	\$300,000
Eliminated multidisciplinary case-management team	Families with children referred to Child Protective Services	\$300,000
Closed two part-time mobile clinics	All	\$250,000
Reduced health data/epidemiology staff to sole bioterror-funded positions	All county	\$150,000
a) Eliminated public health nurse b) Eliminated drug and alcohol staff	Children and families Addicted persons	\$130,000
Reduced staff in health education and community-based prevention	All	\$125,000
Reduced outpatient alcohol and drug treatment	Alcohol and drug population	\$100,000
Eliminated nursing positions	Low-income families in crisis	\$50,000
Eliminated car safety program	Children and families	\$25,000
Closed outpatient offices in two outlying areas	Addicted persons	\$14,000

\* This table includes all complete verbatim responses received from the counties.

\*\* Responses marked with a double asterisk are from large counties (pop >500,000).



## Revenue Increases

While many county health officials reported that their county governments limited expenditures to meet the local budget shortfalls they faced this year, far fewer say their county governments approved revenue increases to help stabilize their health programs.

Overall, increases in fees were the most popular approach: Four in 10 counties reported approving increases in fees-for-service. Although counties have full discretion over how to use monies from the 1998 settlement between states and the tobacco companies (and although this is decided on a county by county basis) most have dedicated tobacco settlement monies to funding health programs. Only 13 percent of county governments reported approving changes in the use of these funds as a way to increase revenues for health functions.

Few counties approved tax increases or new taxes – only 6 percent – not a surprising finding given the two-thirds majority requirement to do so. However, almost half of counties say they discussed or considered increasing taxes or proposing new taxes (45%). In March, Alameda County voters approved by the necessary two-thirds majority a measure designed to raise money through a half-cent increase in the sales tax as a bailout for the county’s public health system. The majority of the funds raised through Measure A will go to the Alameda County Medical Center. Los Angeles County approved a parcel tax increase to benefit trauma and emergency services two years ago. Although a similar measure appeared on the Monterey County ballot in December, it did not gain the two-thirds vote that it needed to pass.

Large counties were more likely than all counties to increase fees as a way to boost revenues (58%). Similar to the trends for all counties, few of the large counties turned to tax increases or new taxes (8%) or changing the way they use their tobacco settlement money to increase funding for health functions (8%). However, three in 10 (31%) say they discussed raising taxes and half (50%) say they at least discussed the way they are using their tobacco settlement money.

**Table 10**  
**“During the current fiscal year, have budget shortfalls caused your county/department to consider and/or implement any of the following to increase revenues for health functions?”**

Revenue-increasing measures	% reporting “approved”	
	CA Counties	Large Counties (pop>500,000)
Increase in fees	41%	58%
Change in use of tobacco settlement money	13	8
Tax increases or new taxes	6	8



# County Mental Health Services

We describe below the responses of only mental health department heads to the survey questions reviewed in the previous section. The section on “spending cuts for specific mental health-related services” includes responses from both umbrella health agencies and mental health departments.

## Perceptions of Current Budget Situation

Similar to responses in the public health survey, about half of the county officials responding to the mental health department survey say their budget situation for this fiscal year is slightly worse than in previous years (47%), while the same share report it is much worse (47%). Very few report that their budget situation is the same or better than in previous years.

**Table 11**  
**“Is the budget situation for FY 2003-2004 better, about the same, slightly worse, or much worse than previous budget situations?”**

Budget situation	Mental Health Departments
Better	6%
About the same	0
Slightly worse	47
Much worse	47

Most of those responding to the county mental health department survey report the biggest change in funding came at the state level – eight in 10 (82%) reported that they received less total funding from state sources compared to one in three (35%) who said they received less federal funding and one in 10 (11%) who said they received less county funding this year than last year. A strong majority of mental health departments reported that their amount of county funding remained virtually unchanged this year compared to last: Two in three said their department received “about the same” total funding from their county in 2003-2004.

**Table 12**  
**“Thinking about the current fiscal year (FY03-04), would you say your department has received more, about the same, or less total funding from county, state, and federal sources than one year ago?”**

Funding source	<u>% reporting “less total funding”</u> Mental Health Departments
State	82%
Federal	35
County	11

## Sources of Local Budget Pressure

When asked to rate a list of possible sources of pressure on departmental budgets, nine in 10 county officials (89%) responding to the mental health department survey named state funding changes as “one of the most important factors,” while the remaining 11 percent of officials said that state funding was “fairly important”; no one rated this source as unimportant.

More than half (56%) of those responding to the mental health department survey said that increasing caseloads represented one of the most important factors. About four in 10 respondents said that one of the most important factors was medical cost inflation (44%), the pressure of mandates from higher levels of government (39%), or federal funding changes (35%). About one in five mentioned local funding changes or public pressure to enhance levels of service (22% each).

Seven in 10 respondents said that issues surrounding collective bargaining and employee wages and benefits were at least fairly important factors, with 22 percent describing this issue as one of the most important factors and 50 percent saying it was fairly important.

**Table 13**  
**“How important are the following factors in contributing to budgetary pressures in your department?”**

<b>Factors contributing to budgetary pressures</b>	<b><u>% reporting “one of the most important factors”</u></b> <b>Mental Health Departments</b>
<b>State funding changes</b>	89%
<b>Caseload increases</b>	56
<b>Medical cost inflation</b>	44
<b>Mandates from higher levels of government</b>	39
<b>Federal funding changes</b>	35
<b>Local funding changes</b>	22
<b>Public pressure for enhanced levels of service</b>	22
<b>Collective bargaining/employee wages and benefits</b>	22

## Methods of Reducing Spending

How did county officials respond to the budget shortfalls in their mental health departments in fiscal year 2003-2004? Half or more of counties approved various spending cutbacks, including staff reductions (56%), funding cuts to contract providers or community-based organizations (56%), and program reductions (50%). Fewer department heads say their counties eliminated programs or services (39%) and even fewer approved closing facilities (17%) during the current fiscal year.

It should be noted that while relatively few of the county officials responding to the mental health department survey say they approved facility closures this year, 67 percent said they either discussed or considered this measure. Similarly, 61 percent said they discussed or considered eliminating services or programs, while about four in 10 say they approved this measure.

**Table 14**  
**“During the current fiscal year (FY 03-04) have budget shortfalls caused your county/department to consider and/or implement any of the following to limit expenditures?”**

Expenditure-limiting measures	<u>% reporting “approved”</u>
	Mental Health Departments
Staff reductions	56%
Cutting funding for CBOs/contract providers	56
Program reductions	50
Eliminating services or programs	39
Facility closures	17

## Impacts on Local Residents

Most of the respondents to the mental health department survey reported a decreased ability to serve residents' mental health needs this fiscal year. The most common difficulty is in serving the mental health needs of uninsured county residents: A remarkable 94 percent say they are less able to serve the uninsured this year compared to last year. Two in three counties also report being less able to serve the mental health needs of their homeless residents and undocumented immigrants (67% each).

More than half of the respondents said they were less able to serve the mental health needs of adolescents/teens, children, and seniors (56% each) this year. Four in 10 respondents said they were less able to serve women this year than last year. Six in 10 mental health departments (61%) reported they were able to serve women at "about the same" level, while for every other category of local service recipients, fewer than half of counties said the service level remained the same.

**Table 15**  
**"Would you say your department is better able, about the same, or less able to serve the following populations of residents (during FY03-04) than it was one year ago?"**

<b>Population</b>	<b><u>% reporting "less able"</u></b> <b>Mental Health Departments</b>
<b>The uninsured</b>	94%
<b>Homeless persons</b>	67
<b>Undocumented immigrants</b>	67
<b>Adolescents/teens</b>	56
<b>Children</b>	56
<b>Seniors/older adults</b>	56
<b>Women</b>	39

## Impacts on Local Mental Health Services

Most of the county officials responding to the mental health department survey reported difficulty in providing discretionary mental health services due to the current state budget situation. Indeed, more than nine in 10 mental health departments point to non-mandated, or discretionary, services as difficult to fulfill this year. However a similar proportion of the officials responding to the survey (89%) also say the state budget situation in 2003-2004 negatively affected their ability to provide *mandated* services.

**Table 16**  
**“Please indicate whether the fiscal year 2003-2004 state budget situation has positively affected, not significantly affected, or negatively affected your ability to provide federally or state mandated/non-mandated (discretionary) services.”**

Type of service	<u>% reporting “negatively affected”</u> Mental Health Departments
<b>Mandated services</b>	89%
<b>Non-mandated (discretionary) services</b>	94

Respondents were also asked to list those mandates that proved to be most difficult to fulfill for funding reasons during the current fiscal year. The most common response to this open-ended question was the provision of mental health services to students (under Chapter 26.5 of Division 7 of the California Government Code). With this statute (passed as Assembly Bill 3632 in 1984), the state legislature assigned counties the responsibility of providing mental health services to students with special needs, required in accordance with the federal Individuals with Disabilities Education Act (IDEA).

In our survey, six in 10 department heads said that providing such services was their most difficult mandate – and with good reason. In 1984, this mandate shifted responsibility for these students’ mental health services from school districts to county mental health departments. The legislature initially provided state general fund dollars to finance this requirement, but the state funds were always far below counties’ estimated costs under the program. In fiscal year 2002-2003, moreover, even this state funding stream was suspended, and the state also placed a moratorium on mandate reimbursements for local governments. During FY 2003-2004, the budget provided \$69 million for these services (from federal IDEA “capacity-building” funds), but the California State Association of Counties estimated the actual cost to counties was about \$120 million in service costs. As a result of issues surrounding this particular mandate to provide mental health services, San Diego and Tuolumne Counties have filed separate lawsuits.

## Spending Cuts for Specific Mental Health-Related Services

Our surveys of mental health departments and county agency heads asked officials to indicate which of 14 specific mental health services they provide directly or through contract providers, and then which of these services were subject to spending cuts in 2003-2004.

More than nine in 10 counties say that they offer assessment and evaluation of mental health problems, Children's System of Care, support for independent living, medication support to relieve symptoms, and mental health services for jails/probation/juvenile justice systems. The largest proportion of cuts took place in two programs: Children's System of Care (47 percent of county mental health departments mentioned cuts in this service) and support for independent living (40 percent mentioned cuts in this service).

At least eight in 10 counties in our survey said they offered short-term therapy, board and care homes, support for family services, and long-term residential care. About one in four of the counties that provide these services implemented cuts this fiscal year: support services for families (29%), short-term therapy (24%), and long-term residential care (21%).

About three in four county governments in our survey offer programs for the homeless mentally ill, vocation assistance, day treatment, and transitional young adult services, and about six in 10 provide emergency shelter. About one in three counties that offer vocational assistance (36%) and one in four that offer day treatment (28%) and programs for the homeless mentally ill (23%) say they have reduced their services in these areas.



**Table 17**

**“Thinking about behavioral/mental health services, please indicate whether the following services are provided by your county. Also, please indicate whether each service experienced service reductions to the public in the current fiscal year (2003-2004).”**

<b>Behavioral/mental health services</b>	<b>Provided Directly or Through Contract</b>	<b>Experienced Cutbacks During FY 2003-2004*</b>
<b>Assessment and evaluation of mental health problems</b>	100%	18%
<b>Children’s System of Care</b>	91	47
<b>Support for independent living</b>	91	40
<b>Medication support to relieve symptoms</b>	91	20
<b>Mental health services in jails/probation/juvenile justice systems</b>	91	13
<b>Short-term therapy</b>	88	24
<b>Board and care homes</b>	88	17
<b>Support services for families</b>	85	29
<b>Long-term residential care</b>	85	21
<b>Programs for homeless mentally ill</b>	79	23
<b>Vocation assistance to find training to work</b>	76	36
<b>Day treatment in community settings</b>	76	28
<b>Transitional young adult services</b>	70	9
<b>Emergency shelter</b>	58	5

\* Percentage is of those counties that provide or contract for the service in question.

In an open-ended question we asked mental health departments to list one or two specific cutbacks their counties experienced during FY 2003-2004. The table below provides some examples of these cutbacks, the populations affected, and the dollar amount of the reduction.

**Table 18  
Specific Examples of Cutbacks in Mental Health Departments\***

<b>Type of Reduction</b>	<b>Population Affected</b>	<b>Amount of Reduction</b>
<b>Cut indigent children outpatient services**</b>	<b>Indigent children</b>	<b>\$10 million</b>
<b>Reduced among community-based organizations contracts for behavioral health/primary care**</b>	<b>All</b>	<b>\$5 million</b>
<b>Closed psychiatric hospital</b>	<b>All</b>	<b>\$4 million</b>
<b>Reduced 48 secured psychiatric treatment beds**</b>	<b>Chronically mentally ill adults</b>	<b>\$3 million</b>
<b>a) Eliminated 50 positions in behavioral health b) Cut services for dual diagnosis</b>	<b>Adult mental health population All</b>	<b>\$2.2 million</b>
<b>Reduced staff in adult mental health**</b>	<b>All</b>	<b>\$2 million</b>
<b>Eliminated 40 positions in adult case management</b>	<b>All</b>	<b>\$1 million</b>
<b>Cut 16 full-time positions</b>	<b>All</b>	<b>\$880,000</b>
<b>a) Cut 10 positions in adult system of care and administration b) Cut 16-bed residential recovery facility</b>	<b>Adults/Older adults Male adults with co-occurring disorders</b>	<b>\$869,745</b>
<b>Cut four therapists and interns</b>	<b>Child and adult outpatients</b>	<b>\$300,000</b>
<b>a) Cut administrative staff b) Cut social rehabilitation contract</b>	<b>All clients due to lack of system of care coordination Chronically mentally ill adults</b>	<b>\$350,000</b>
<b>Reduced contracts with community-based organizations</b>	<b>Uninsured children and youth</b>	<b>\$223,000</b>
<b>Reduced case management</b>	<b>All</b>	<b>\$150,000</b>
<b>Reduced mental health case management services</b>	<b>Chronically mentally ill</b>	<b>\$70,000</b>
<b>Cut unfounded clinical provider</b>	<b>Children and adolescents</b>	<b>\$50,000</b>

\* This table includes all complete verbatim responses received from the counties.

\*\* Responses marked with a double asterisk are from large counties (pop >500,000).

## Revenue Increases

Relatively few officials responding to the mental health department survey say their counties employed revenue-increasing measures in response to budget shortfalls. Two in 10 say the budget shortfalls caused their county or department to implement fee increases (21%), while one in 10 say their county approved change in the use of tobacco settlement money (11%).

Even the *discussion* of revenue increases in county governments was relatively rare. About three in 10 mental health officials say their county or department discussed or considered tax increases or new taxes (27%), while two in 10 say they discussed or considered an increase in fees (22%) and fewer discussed or considered a change in the use of tobacco settlement money (17%).

**Table 19**

**“During the current fiscal year (FY 03-04) have budget shortfalls caused your county/department to consider and/or implement any of the following to increase revenues for mental health functions?”**

Revenue-increasing measures	<u>% reporting “approved”</u> Mental Health Departments
Increase in fees	21%
Change in use of tobacco settlement money	11
Tax increases or new taxes	0



## Conclusion: Looking to FY 2004-2005 and Beyond

This survey of county officials provides the first comprehensive examination of county health care and mental health care provision in light of the state's budget situation in fiscal year 2003-2004. In terms of county health and mental health services, the results clearly indicate that the state budget situation is the major factor in local budget pressures this year. Many county officials say that funding reductions make them less able to provide a variety of health and mental health services to populations in need of government programs. Moreover, many county officials are able to identify a number of specific mental health and health-related services in their departments that have experienced cutbacks, while relatively few counties have yet taken actions to increase revenues in order to make up for the loss of funding from state sources.

The survey questions analyzed in this report are largely designed to elicit information on the *current* fiscal environment for providing health and mental health services at the county level. However, the state's budget situation is expected to create a structural imbalance for the 2004-2005 fiscal year and beyond – as expenditures once again exceed revenue projections, and state spending cuts are widely expected. Thus, counties will likely face additional fiscal challenges in providing health services and mental health services to their residents in the upcoming year.

In the concluding section of the questionnaire, and in follow-up interviews with respondents after they completed the surveys, we asked county officials to look ahead to the upcoming fiscal year and beyond. At the time that we designed the survey instrument in fall 2003, one of the biggest unknowns for counties regarding the state budget situation was uncertainty about continued funding streams given the rollback of the Vehicle License Fee (VLF). VLF funds have long been a major source of discretionary revenues for counties and cities, but the VLF rate is set by the state. At that time, county officials were not sure whether the state would continue to backfill for lost VLF revenue. In order to understand how this issue would affect planning for upcoming fiscal years, we asked health and mental health administrators an open-ended question about the potential impact of a reduction in VLF on their county's provisions of health services.

Although the VLF issue may not be as predominant an issue today, compared especially to other state/local revenue shifts such as ERAF (Education Revenue Augmentation Fund) transfers, it is nevertheless useful to look at the issues surrounding the VLF as symptomatic of the uncertain fiscal environment within which county officials see themselves as operating today. County health departments pointed to this uncertainty several times in their responses to the VLF question. The head of one small county health department said, "VLF is the glue holding our categorically-funded system together."

County health departments also point out that a reduction in what is often an important funding stream has an impact on their ability to apply for other types of funding, including federal or state matching grants. County officials said that a loss of VLF funding would "dramatically reduce the amount of funds the county has to assist our agency in leveraging other state and federal revenue sources." Another county official said that the loss of VLF funds would "eliminate the county's match for state and federal programs and virtually make it impossible to conduct business."

The most frequently mentioned responses of the effects of a possible loss of VLF funding were that counties would be forced to cut programs or services (21%), would experience layoffs (17%), would feel the impact on ability to serve the indigent (17%), and would lose their ability to leverage matching funds (10%). One county official said they were “preparing layoff notices for a full one-third of the workforce due to the unknowns in VLF,” which that department head went on to call “an odd means to fund essential public health services.”

Concerns about the unpredictability of funding streams emerged both in responses to the VLF question and in the in-depth, in-person interviews conducted with county officials as part of this study. We asked interviewees to comment on the upcoming fiscal year and the incoming administration, focusing on recommendations they might make – short of simply calling for increased funding – to the new governor. Not surprisingly, responses focused on the state-local fiscal relationship in California. Overall, county health executives described themselves as vulnerable in an environment they see as placing much of the fiscal control in the hands of the state.

County officials in our surveys pointed to the desire for structural reforms of the fiscal process that would give them a greater measure of independence from the state. One county health official said he would prefer “to have independent revenue streams that we were responsible for managing and ... a set of funds that we could project and at least know what to expect.” This response reflects a consistent theme in California’s local-state fiscal relationships for decades.<sup>6</sup> The lack of local control is a chronic issue that has become more salient as county governments struggle to find ways to cope with shrinking state funds and a lack of local revenue flexibility to match their growing population’s demands for health and mental health services.

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<sup>6</sup> For assessments of the state-county fiscal connection, see Mark Baldassare et al., *Risky Business: Providing Local Public Services in Los Angeles County* (PPIC, 2000); Michael A. Shires, *Patterns in California Government Revenues Since Proposition 13* (PPIC, 1999); and J. Fred Silva and Elisa Barbour, *The State-Local Fiscal Relationship in California: A Changing Balance of Power* (PPIC, 1999).

# Appendix A. Survey Methodology

## Procedure

This survey was conducted with funding from The California Endowment and benefited from discussion with its staff; however, the survey methods, questions, and content of this report were solely determined by PPIC.

Survey questionnaires, printed in booklet format, were mailed to local officials in all 58 counties in California in late December 2003, using a list of department heads and addresses obtained through our contacts at The California Endowment. We sent a reminder postcard to all officials, as well as a second full mailing of surveys to all nonrespondents after that date. Numerous follow-up phone calls were made to ensure a higher response rate. In-depth interviews were conducted with several county officials to provide context for the survey responses.

**Separate Surveys:** We sent three slightly different surveys to different departments within the 58 counties. The surveys contained a core set of questions about the current state budget situation and service cuts (see Appendix B).

1. **County Agency Surveys:** 32 counties received “full surveys.” These counties were identified as those that house their health and mental health departments under one umbrella agency. As such, these surveys contained the core questions and supplemental mental health questions. These surveys were sent to the head of the umbrella agency.
2. **County Health Department and Mental Health Department Surveys:** The remaining 26 counties received two separate surveys. Their county health department received a survey identical to the “full survey” but without the questions on mental health services. Mental health departments in these 26 counties received a survey with the same core set of questions about budgets and cutbacks in service, and with a supplemental set of questions pertaining specifically to mental health services.

We combined county health and county agency surveys for the data analysis on county health, and county agency and mental health department surveys for the data analysis on mental health.

## Response Rate

The combined responses to the survey questions on county health services (i.e., from umbrella agencies and county health departments) through 2004 reflect a response rate of 57 percent and include 78 percent of the state’s population. These responses include 13 of the 15 “large counties” with populations over 500,000. The combined responses to the questions on county mental health services (i.e., from umbrella agencies and county mental health departments) provide a response rate of 57 percent and include 65 percent of the state’s population. For the survey responses in this report that include only the mental health departments, the response rate is 69 percent.





# Appendix B. Survey Questions

## *Budgets and Health Care in 2003-2004:*

### *A Survey of Local Health Departments*

Thank you for helping us to learn about the budgetary situation facing local health and mental health departments in California. We value your insights, and the specific information that you can provide is very important to us. The results of this survey will help local and state officials, nonprofit groups, and the public understand the range of issues facing departments of health and mental health. Please return this questionnaire in the enclosed postage-paid envelope.

#### Researcher Contact Information

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Code: \_\_\_\_

Note: The individual responses to this survey are confidential. The code is used to track the returning surveys. We will not identify, or reveal the specific responses of individuals or specific counties unless required by law.

BACKGROUND

**Q1-** How long have you served in your current position? \_\_\_ years

**Q2-** How long have you worked in the county health field? \_\_\_ years

**Q3-** In your experience working in the county health field, how would you compare the budget shortfalls of the current fiscal year (2003-2004) to previous shortfalls in their effects on counties' ability to meet residents' health needs? Is the budget situation for FY 2003-2004 better, about the same, slightly worse, or much worse than previous budget situations? (*check only one*)

\_\_\_ better      \_\_\_ about the same      \_\_\_ slightly worse      \_\_\_ much worse

SOURCES OF REVENUE

**Q4-** Thinking about your department's sources of revenue, what proportion of your total budget comes from the following sources? (*if exact figures are not at hand, please estimate*)

Source	Percent of Department Budget
County funds	%
State funds (including realignment)	%
Federal funds	%
Fees for service	%
Other (please specify)	%
Total	100 %

MAGNITUDE OF SHORTFALLS

**Q5-** Thinking about the current fiscal year (FY03-04), would you say your department has received more, about the same, or less total funding from county, state, and federal sources than one year ago? (*please check one box per row*)

	More	ABOUT THE SAME	Less
County			
State			
Federal			

**Q6-** In terms of the level and quality of services, would you say that your county is better, about the same, or less able to carry out or fund the following functions (during FY03-04) than it was one year ago?

	Better able	About the same	Less able
Behavioral/mental health			
Public health and preventive care			
Outpatient indigent care			
Inpatient indigent care			
Environmental health			

**Q7-** Again thinking of the level and quality of services, would you say your department is better able, about the same, or less able to serve the following populations of residents (during FY03-04) than it was one year ago?

	Better able	About the same	Less able
Children [0-12]			
Adolescents/teens			
Homeless persons			
Seniors/older adults			
The uninsured			
Women			
Undocumented immigrants			

**Q8-** Please indicate whether the fiscal year 2003-04 state budget situation has positively affected, not significantly affected, or negatively affected your ability to provide federally or state mandated services. (*check only one*)

positively affected       not significantly affected       negatively affected

**Q9-** Thinking about those services your department is mandated by federal or state authorities to provide, which mandates would you say are most difficult to fulfill for funding reasons? Please list the one or two most difficult. (*You may use a separate sheet of paper if more space is needed*).

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**Q10-** Please indicate whether the current fiscal year 2003-2004 state budget situation has positively affected, not significantly affected, or negatively affected your ability to provide non-mandated (discretionary) services. (*check only one*)

positively affected       not significantly affected       negatively affected

**Q11-** There are many possible sources of pressure that make it difficult for county health departments to balance their budgets. How important are the following factors in contributing to budgetary pressures in your department?

	One of the most important factors	Fairly important	Not too important	Not a serious constraint
Caseload increases				
Medical cost inflation				
State funding changes				
Federal funding changes				
Local funding changes				
Public pressure for enhanced levels of service				
Mandates from higher levels of government				
Collective bargaining/employee wages and benefits				
Other (please specify)				

**Q12-** Does your county operate public hospitals?

\_\_\_ yes ( is it a separate agency? \_\_\_ ) \_\_\_ no

**Q13-** Does your county operate outpatient clinics?

\_\_\_ yes \_\_\_ no.

BRIDGING THE GAP

**Q14-** During the current fiscal year, have budget shortfalls caused your county/department to consider and/or implement any of the following to increase revenues for health functions? *(check all that apply)*

	Discussed	Considered but not approved	Approved
Tax increases or new taxes			
Change in use of tobacco settlement money			
Increase in fees			

**Q15-** During the current fiscal year (FY 2003-2004) have budget shortfalls caused your county/department to consider and/or implement any of the following to limit expenditures?

	Discussed	Considered but not approved	Approved
Facility closures			
Staff reductions			
Program reductions			
Eliminating services or programs			
Cutting funding to CBOs/contract providers			

**Q16-** If any of the above were approved during fiscal year 2003-2004, please provide two key examples of cutbacks or reductions that were made. Please describe the type of reduction made and the populations/clients affected.

	Example of cutback/reduction	Populations/clients affected	Dollar amount of reduction (if known)
1)	_____	_____	_____
2)	_____	_____	_____
	_____	_____	_____

COUNTY HEALTH SERVICES

**Q17-** County health departments provide many services to residents. Please check the appropriate boxes to indicate whether the following *health related* services are provided by your county (either directly or through a contract provider). Also, please indicate whether each service experienced service reductions to the public in the current fiscal year (2003-2004). (*please check all boxes that apply*)

Service	Provided by county...		Service reductions to public in FY 2003-04? (check if yes)	Dollar amount of reduction (if known)
	directly	through contract provider		
AIDS education and treatment				
Alcohol and drug prevention and treatment				
Bioterrorism preparedness				
California Children Services				
Child Health and Disability Program (CHDP)				
Dental health				
Disease prevention				
Emergency medical services				
Flu clinics and immunizations				
Health care for the homeless				
Health education				
Health services in jails/probation/juvenile justice systems				
In-home support services				
Inpatient care				
Maternal, child, and adolescent health				
Nutrition services and WIC				
Outreach and enrollment				
Primary outpatient care				
Reproductive health and family planning				
Specialty outpatient care				
Trauma care				

**Q-18-** Thinking about the Behavioral/Mental Health Services your county provides, please check the appropriate boxes to indicate whether the following services are provided by your county (either directly or through a contract provider). Also, please indicate whether each service experienced service reductions to the public in the current fiscal year (2003-2004). (*check all boxes that apply*)

Service	Provided by county...		Service reductions to public in FY 2003-04? (check if yes)	Dollar amount of reduction (if known)
	directly	through contract provider		
Assessment and evaluation of mental health problems				
Board and care homes				
Children's System of Care				
Day treatment in community settings				
Emergency shelter				
Mental health services in jails/probation/juvenile justice systems				
Long-term residential care				
Medication support to relieve symptoms				
Programs for homeless mentally ill				
Short-term therapy				
Support for independent living				
Support services for families				
Transitional young adult services				
Vocation assistance to find training to work				

**Q19-** In the space below, please provide us with your opinions regarding the likely effects of VLF reductions on your county's provision of health services.

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**Q20-** In the coming weeks we would like to interview some local health administrators in order to make sure we understand the county experience as fully as we can. Would you be willing to talk with us in January or February 2004?

yes

no

**Q21-** If your department has prepared a summary of its current budgetary situation (for local officials, presentations to public, etc.) it could prove useful to our research. Is such a document available from your department?

yes , we will send

yes, upon request

no, not available

**Q22-** Job title of person completing survey: \_\_\_\_\_

Thank you very much for responding to this survey. With the information provided by you and your counterparts, we can help inform residents and policymakers about the issues facing county health care in California. Please return the survey in the enclosed postage-paid envelope.

If you have further thoughts on this questionnaire or the topics it covers, we would welcome your comments below, or on a separate sheet of paper.

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