



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 26-066

May 19, 2026

Introduced: 4/23/2026

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

Adopt a Resolution to:

- a. Amend the FY 2025-26 Adopted Budget for the Health Department's Behavioral Health Bureau (023-8410-HEA012) to increase appropriations by \$11,900,813 for operating expenditures to accommodate anticipated total costs, financed by an increase in Medi-Cal Federal Financial Participation revenue (023-8410-HEA012) of \$11,900,813 (4/5ths vote required); and
- b. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 Health Department's Behavioral Health Bureau's Adopted Budget (023-8410-HEA012) (4/5ths vote required).

RECOMMENDATION:

It is recommended that the Board of Supervisors Adopt a Resolution to:

- a. Amend the FY 2025-26 Adopted Budget for the Health Department's Behavioral Health Bureau (023-8410-HEA012) to increase appropriations by \$11,900,813 for operating expenditures to accommodate anticipated total costs, financed by an increase in Medi-Cal Federal Financial Participation revenue (023-8410-HEA012) of \$11,900,813 (4/5ths vote required); and
- b. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the changes in the FY 2025-26 Health Department's Behavioral Health Bureau's Adopted Budget (023-8410-HEA012) (4/5ths vote required).

SUMMARY:

The Health Department's Behavioral Health Bureau requests an amendment to the FY 2025-26 Adopted Budget to increase appropriations by \$11,900,813, fully offset by increased Medi-Cal Federal Financial Participation (FFP) revenue. The requested adjustment addresses higher-than-budgeted personnel costs, Unfunded Accrued Liability (UAL) expense, increased hospitalization costs, and contract expenditures necessary to operate the County's Medi-Cal Mental Health Plan and related behavioral health services. Approval of the recommendation will have no impact on the General Fund.

DISCUSSION:

The Monterey County Health Department's Behavioral Health Bureau (BHB) requests an increase in appropriations of \$11,900,813 in Fund 023 for FY 2025-26. This request reflects several operational and fiscal factors affecting County behavioral health services.

The primary driver of increased costs is growth in salary and benefits expenditures resulting from ongoing efforts to fill critical vacancies and implementation of Memoranda of Understanding (MOU) adjustments during the current fiscal year. Salary and benefit expenditures are projected to exceed FY 2025-26 budget allocations by \$8,582,342. In addition, BHB incurred \$4,617,783 in Unfunded

Accrued Liability (UAL) expense that was not included in the adopted budget.

BHB is also experiencing increased acute hospitalization costs and contract expenditures required to operate the County's Medi-Cal Mental Health Plan (MHP). Budget assumptions were based on the best available information, including national market basket inflation projections for Specialty Mental Health and Drug Medi-Cal providers; however, client demand and actual provider costs have exceeded initial estimates. Additionally, the transition to fee-for-service reimbursement has shifted greater financial risk to contractors and contributed to system-wide contract costs exceeding budgeted levels.

The requested appropriation increase will be fully offset by Medi-Cal Federal Financial Participation (FFP) revenues, which are projected to exceed budgeted revenues by at least \$14,084,815. Under California Advancing and Innovating Medi-Cal (CalAIM) Payment Reform, BHB is permitted to retain and reinvest revenues that exceed costs within the mental health and substance use disorder treatment systems to further strengthen and expand services.

This work supports the County of Monterey Health Department 2025-28 Strategic Plan Goal(s) 2. Provide Exceptional Person-Centered Care through Accessible, Community-Focused Health Services and 3. Enhance Employee Wellbeing and Workforce Capacity. It also supports the following of the ten essential public health services: specifically, 7. Link people to needed personal health services and assure the provision of health care when otherwise unavailable, and 8. Assure competent public and personal health care workforce.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:

The County Administrative Office, Auditor-Controller's Office, and County Counsel have reviewed and support this appropriation increase.

FINANCING:

Approval of the recommendation will have no impact on the General Fund. The requested appropriation increases are financed with Medi-Cal FFP revenue of \$11,900,813.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

This recommendation improves the well-being and quality of life by ensuring access to behavioral health treatment, crisis services, and community-based care for county residents.

Mark a check next to the related Board of Supervisors Strategic Plan Goals:

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future
- Safe and Resilient Communities
- Diverse and Thriving Economy

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Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachments:

Board Report
Proposed Resolution