

Funding County Behavioral Health Care in California

Every Californian should be able to access behavioral health care — care for mental illness and substance use disorder — when and where they need it. To improve behavioral health care, California has made investments of more than \$15 billion over the past few years, broadly distributed throughout several delivery systems.

Public behavioral health care is funded differently from other California health care programs, including Medi-Cal, with counties playing a central role in administering and financing services. Whereas Medi-Cal managed care plans are responsible for most physical health care services, along with some mental health and substance use disorder services, county behavioral health plans have most of the responsibility to arrange and pay for specialty behavioral health services under Medi-Cal. Counties also maintain other behavioral health services and programs for county residents, typically as resources allow. The funding sources for county behavioral health services are not straightforward, and some are quite volatile. Recent changes through Proposition 1, passed by California voters in 2024, add further complexity.

This patchwork of funding has major implications for people's care. Even with behavioral health care and delivery system reforms, people may still struggle to access care.

Understanding behavioral health funding is important for improving delivery system performance, people's care experiences, and health outcomes.

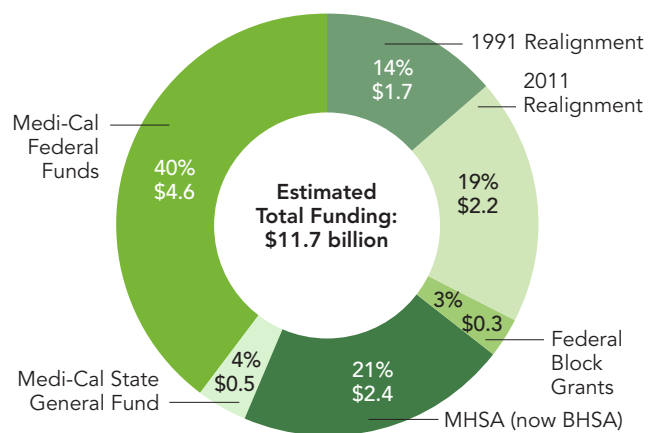
This paper, adapted from [The Crucial Role of Counties in the Behavioral Health of Californians](#), offers a

high-level explanation of county funding for behavioral health care. For more detail, see the full paper.

Major County Behavioral Health Funding Streams

Funding for behavioral health services in California comes from an array of sources. Key funding streams for county specialty behavioral health services include

Figure 1. Estimated County Behavioral Health Funding, State Fiscal Year 2023-24 (In Billions)



Sources: Authors' analysis of state budget documents, state department information. Medi-Cal expenditure data and federal grant funding provided by California Department of Health Care Services (DHCS).

Notes: Estimated amount reflect ongoing funding for behavioral health services and do not include opioid settlement funds, county General Funds, one-time state General Fund investments, or payments from Medicare or private insurance. 1991 Realignment estimate reflect funds from 2011 subaccount swap. Medi-Cal funds reflect actual claims payment made to counties by DHCS (excluding pharmacy and inpatient stays paid for by the state). Figures may not sum due to rounding. MHS is Mental Health Services Act; BHSA is Behavioral Health Services Act. Federal Block Grants include the two largest from the Substance Abuse and Mental Health Services Administration (SAMHSA): the Substance Use Prevention, Treatment, and Recovery Services Block Grant (SUBG) and the Community Mental Health Services Block Grant (MHBG).

realignment, federal funds, the state General Fund, Behavioral Health Services Act (BHSA, previously the Mental Health Services Act) funds, and other funds. Core funding for county behavioral health services was almost \$11.7 billion in 2023–2024, though this amount can fluctuate significantly from year to year depending on tax revenues and other factors.

Realignment

Largely in response to state budget deficits, the state transferred various program responsibilities along with dedicated funding to counties in 1991 and 2011 in what is broadly known as **realignment**. When realignment involves a shift in responsibility from the state to the counties, the state estimates what it would have spent on the realigned programs and dedicates a similar amount of revenue to counties to support the realigned programs at the time of the transfer.

The 1991 and 2011 realignments — which included behavioral health services — are funded through dedicated sales tax and vehicle license fee revenues. Realignment dollars are counties’ core source of non-federal match dollars for Medi-Cal services.

- **1991 realignment.** The 1991 realignment transferred full responsibility from the state to the counties for most of the state’s mental health and public health programs, county indigent care, public health services, and community mental health services. It also transferred funding responsibility for specified social services. Dollars from the 1991 realignment fund community mental health programs, Institutions for Mental Diseases, and state hospital services.
- **2011 public safety realignment.** In 2011, California enacted a public safety realignment initiative to address court-ordered reductions in the state prison population and the growing costs of state prisons. Counties assumed additional fiscal responsibility for Medi-Cal behavioral health programs. The 2011 realignment eliminated the use of state General

Funds for community mental health and substance use disorder services. By July 1, 2012, counties had assumed full responsibility for the nonfederal share of Medi-Cal specialty behavioral health services and for other specific substance use disorder treatment programs at the time.

Federal funds

Federal funds include the following:

- **Medi-Cal federal financial participation.** This federal funding match for Medi-Cal services makes up the largest source of federal funds for counties. Counties use realignment, BHSA, and other funding sources to provide the nonfederal share for Medi-Cal specialty behavioral health services in order to leverage or “draw down” federal financial participation.
- **Block grant funding.** Counties are allocated federal funds through two major block grants administered by the federal Substance Abuse and Mental Health Services Administration (SAMHSA): the Substance Use Prevention, Treatment, and Recovery Services Block Grant and the Community Mental Health Services Block Grant. Counties receive approximately \$315 million from these grants annually.

State General Funds

Funding from state General Funds includes the following:

- **Medi-Cal.** While counties provide most of the non-federal share to leverage federal funds through Medi-Cal, the state contributes some dollars from the state General Fund to support certain Medi-Cal behavioral health services and certain populations.
- **One-time investments.** The state has recently provided billions in one-time state General Fund investments to support broad behavioral health-related delivery system improvements. These have included some support for counties. Most of these investments were authorized beginning in 2021 — such as the Behavioral Health Continuum

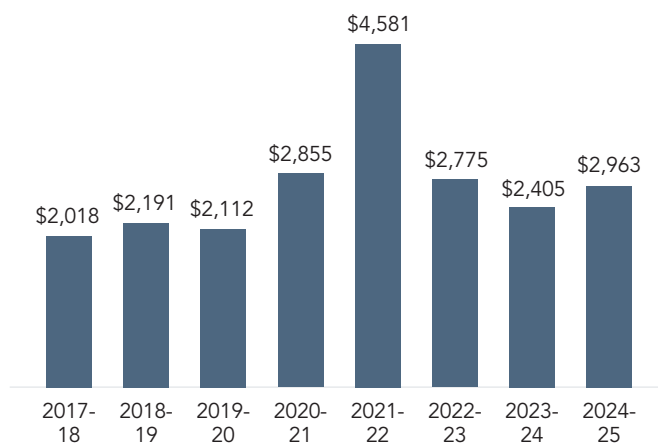
Infrastructure Program and the Behavioral Health Bridge Housing Program — and will continue over the next three to five years, depending on state budget actions.

MHSA/BHSA funds

In 2004, the Mental Health Services Act (Proposition 63) passed, establishing a 1% tax on personal income over \$1 million to support counties’ mental health programs. In SFY 2023–24, estimated MHSA revenues available to counties totaled approximately \$2.4 billion, but this total can vary significantly from year to year. Of the funding streams supporting county behavioral health services, the MHSA is the most volatile because of the uncertainty of income taxes.

In 2024, California voters passed Proposition 1, which replaced the MHSA with the BHSA and brings new requirements for county spending under the same revenue stream.

Figure 2. Estimated County MHSA Revenues by State Fiscal Year (In Millions)



Source: Authors’ analysis of MHSA expenditure reports to the legislature.

Notes: Estimated revenues include personal income tax, interest income, and other revenue and exclude funds transferred for the No Place Like Home program. MHSA is Mental Health Services Act.

Other funds

Counties also support their behavioral health delivery systems through other local funds, payments from commercial insurance and Medicare, and patient fees. In addition, counties have received one-time federal funding under the Behavioral Health Response and Rescue Project that supplements SAMHSA block grant funding and opioid settlement funds.

County Behavioral Health Funding Challenges

The various sources of support for county behavioral health care form a complex patchwork of funding that is challenging for counties to manage. Because some of this funding can be volatile, sensitive to economic conditions, and is not directly tied to changes in program demand and cost, long-term planning for counties is difficult. Under these conditions, counties must balance wide-ranging community needs with program requirements, including Medi-Cal entitlements. Further, counties have limited ability to modify core Medi-Cal realigned programs to contain costs despite being at financial risk for the non-federal share.

About the Author

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About the Foundation

The [California Health Care Foundation](#) (CHCF) is an independent, nonprofit philanthropy that works to improve the health care system so that all Californians have the care they need. We focus especially on making sure the system works for Californians with low incomes and for communities who have traditionally faced the greatest barriers to care. We partner with leaders across the health care safety net to ensure they have the data and resources to make care more just and to drive improvement in a complex system.

CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.