

Tier 2 Fiscal Issues:

Tier 2 Issues: Probable occurrence within the next two fiscal years				
Issue		FY 2015-16 Impact	FY 2016-17 Additional Impact	Onetime or Ongoing
		(\$ in millions)		
11	Wireless Network Access	\$ 1.0	\$ -	Onetime
12	Assessor Property System (New)	0.3	0.3	Onetime
13	Health Care Reform Act (ADMHS, PH & DSS)	Unknown	Unknown	Ongoing
14	TB and Other Diseases	Unknown	Unknown	Ongoing
15	ADMHS Cost Report Settlement Issues	-	-	Ongoing
16	Public Health Loss of 1991 Realignment Funding	-	-	Ongoing
17	Elections Systems	-	Unknown	Onetime
Total		\$ 1.3	\$ 0.3	

11. Wireless Network Access

A refresh of the existing County wireless infrastructure was completed in FY 2013-14. Wireless equipment acquired in support of the refresh totaled \$231,000. The goals of the project were achieved which included: aging hardware was replaced, the County is positioned for future wireless growth, the end user experience was simplified, and security enhancements were achieved.

The County user community continues to demand ubiquitous wireless coverage for the increased efficiency that mobile applications deliver. Providing universal coverage requires increasing the distribution and density of wireless access points. Expanded coverage to all major County campuses (Santa Barbara Downtown Locations, Calle Real Campus, Betteravia Complex, Foster Road, Lompoc Civic Center, Cook Street, and Solvang Civic Center) beyond the current infrastructure would cost the County \$1,100,000. If a capital expansion funding source were available, General Services/Information and Communications Technology could purchase and depreciate the additional wireless infrastructure ensuring replacement funds for the entire wireless infrastructure in future refresh cycles. Technology equipment generally has a 3 to 4 year life span, and depreciation of \$300,000 per year would be collected for replacement.

12. Assessor Property Tax System

The current assessment system used in Santa Barbara County, known as the Assessor Property System (APS), was developed in-house and originally deployed in 1999. The life-cycle of the current system, functional inadequacies, and technological advancement has driven the need for a replacement system. In 2010, the Assessor entered into an agreement with a vendor to develop a new system, however a few years into the project, the vendor filed for chapter 11

bankruptcy, leaving the Assessor in a vulnerable position. To assist in determining the best course of action for the County in pursuit of a “new” system, the Assessor has contracted with a local systems developer to determine the requirements for modernizing the current APS. If the County decides to modernize its current system, the new APS will be developed by the existing team of programmers and financial system analysts in the Department. A new “project owner manager” position will be required to administer the project and a systems development contractor to provide technical direction. It’s estimated that the development of a new system will take roughly five years, requiring a \$0.3 million annual funding source for a projected \$1.5 million incremental cost.

At the end of Fiscal Year 2014-15, the Assessor will have a projected \$1.0 million balance in committed and restricted departmental fund balances as a potential funding source. These fund balances were created specifically for the purpose of enhancing the property tax administration program, however should the fund balances not be available, the Department will require an alternate funding source for the entire \$1.5 million incremental project cost, requiring an annual \$0.3 million funding source over the 5 years. Should the entire \$1.0 million fund balances be available for this project, the \$0.5 million project cost balance will require a one-time County contribution commitment during the last two years of the project.

13. Health Care Reform Act (ADMHS, PH & DSS)

The Federal Patient Protection and Affordable Care Act (ACA), also referred to as **Health Care Reform**, was signed into law on March 23, 2010, and established comprehensive health insurance reforms that will roll out over several years with most changes taking place by 2014. The major element of the ACA is the expansion of health coverage to individuals who were previously uninsured, including the expansion of Medicaid (known as Medi-Cal in California), the Federal health insurance for people with low incomes. The Medicaid expansion, which took effect on January 1, 2014, will impact the Alcohol, Drug and Mental Health Services (ADMHS), Social Services, and Public Health Departments, all of which provide enrollment, health services and substance abuse services to Medicaid, Drug Medi-Cal and indigent beneficiaries.

The ACA presents many opportunities and challenges for these three county departments. These changes include the possibility of an increase in demand for services, and increased expenditures to provide for services. All three departments anticipate higher revenues correlated with the demand, as Federal funds will cover 100% of costs for the first three years, and 90% thereafter. However, sources of revenue to cover the future costs of providing services and funding for other programs not related to the ACA are uncertain at this time.

Alcohol Drug and Mental Health Services: It is unknown what percentage of the clients ADMHS already serves are eligible for the Medicaid expansion, although the nature of the population receiving mental health services indicates the majority would be covered.

The Department estimates the following newly eligible clients for the Alcohol and Drug Programs (ADP) in the range of 1,500 to 1,900 individuals in Santa Barbara County seeking substance abuse services. During the first nine months of implementation (January 1 –

September 30, 2014), ADMHS provided ADP Drug Medi-Cal services to 562 newly eligible clients. Of these, 32% had received unfunded/indigent services within nine months preceding January 1, 2014.

Estimates for newly eligible Medi-Cal Mental Health clients are estimated to be 1,100 to 1,400 seeking specialty mental health services. During the first nine months of implementation (January 1 – September 30, 2014), ADMHS provided Mental Health Medi-Cal services to 741 newly eligible clients. Of these, 41% had received unfunded/indigent services within nine months preceding January 1, 2014.

A significant share of costs for Medi-Cal covered residents under the expansion will now be covered through an increase in Federal funds to ADMHS. The essential benefit package remains the same for all Medi-Cal clients who receive mental health services and was expanded for all Medi-Cal clients who receive substance abuse services. As a result, ADMHS expects the demand for substance abuse services to increase, which in turn will require the expansion of programs and contracts to meet this need. The increased demand for specialty mental health services (which ADMHS is responsible to provide) related to the Medi-Cal expansion population is unknown at this time. ADMHS currently provides services to a significant amount of indigent clients who will become part of the Medi-Cal expansion population. ADMHS continues to work on estimating the specific impacts on service level needs and workforce needs for the Department as it simultaneously undertakes changes to its system of care with the assistance of the Board of Supervisors' approved consultants.

Department of Social Services (DSS): Counties are mandated by the State to provide eligibility determinations for residents who are applying for Medi-Cal as well as handle in-person assistance for people seeking health coverage through Covered California health plans. Original projections for the impact of the Affordable Care Act estimated that over a three-to-five year period of time, 30,000 – 40,000 individuals may become eligible for Medi-Cal coverage as a result of the new eligibility standards effective January 1, 2014. In September 2013, the Department received approval to add 53 new positions in anticipation of this influx of new clients at a rate of about 10,000 individuals per year. Enrollment has outpaced the projections. In less than one year, as of August 2014, the Medi-Cal program has increased by 25,000 people above pre-ACA levels and is increasing each month. The State has recognized that its original projections were too low and counties are optimistic that additional funding will follow; allowing counties to increase staffing levels in order to meet service level mandates including timely application processing. DSS will continue to analyze the local impact on service levels and workforce needs and provide the Board with updated information.

Public Health Department (PHD):

Counties are mandated by the State to provide healthcare to residents who are indigent or have limited ability to pay for health care services. The implementation of the ACA significantly alters the traditional role that counties fill in providing healthcare services to indigent adults, because of the benefits expansions - particularly the Medicaid expansion - that will now provide paid or subsidized coverage to the same population.

Because the ACA provided these new options for healthcare for indigent and uninsured adults, the State intends to redirect every potential dollar of “county savings” to a State obligation, effective January 1, 2014. This will result in an ongoing loss of 1991 Health Realignment of approximately \$7.3M annually starting in FY 14-15, which is described in Fiscal Issue “Public Health Loss of 1991 Realignment Revenue.”

14. TB and Other Diseases

Tuberculosis (TB) is an air-borne communicable disease that requires assessment, treatment, monitoring, and follow-up for a period of up to two years to prevent the spread of the disease and to protect public health. Without proper intervention, TB can have permanent and even fatal outcomes. Costs associated with providing essential interventions include investigation and direct observational therapy by Disease Control staff, guidance and consultation by a Health Officer, and extensive laboratory testing by a microbiologist. These costs are mounting in light of the increased number of TB cases in Santa Barbara County. Between January and mid-September of 2014, the County had 28 cases of active tuberculosis. Many of these cases are drug resistant requiring additional time and resources. At this rate, it is projected that there will be 37 cases for 2014, or a 54% increase in the number of TB cases in 2014 (over the normal number of 24 cases per year). This is the largest number of cases that have been seen in the past 10 years and is a direct result of the TB outbreak in North County. To meet the immediate demand, Public Health has added a full-time Public Health Nurse, half-time microbiologist, and a full-time Medical Assistant to the Department. These positions are funded through state grants and department funding.

To mitigate these costs, the Department has applied for and received state special TB funding awards. The Department also applied for a federal grant which was not funded. Public Health is in the process of transitioning to a new laboratory testing method which will decrease the amount of microbiologist time needed to complete testing in other areas of the lab, resulting in more time for TB testing. The Department has also initiated and funded a process to implement a new computer system, estimated cost \$300 thousand, for the Public Health Laboratory which will improve the timeliness and accuracy of reporting test results. The new Laboratory Information System will be selected before the end of the calendar year. Although future costs associated with TB are not known, costs would not be unexpected given the increased number of cases, the number of drug resistant cases, and expected multi-year impacts of these cases.

While Public Health is focusing on TB in this discussion, in the past few years the Department has experienced a growth in other infectious diseases. There has been a fourfold increase in the number of syphilis cases in Santa Barbara County. The Department also experienced an outbreak of meningococcal disease at UCSB that was one of 2 outbreaks nationwide where the virus was not covered in the traditional meningitis vaccine. In addition to recent increases, there are trends on the national level such as Enterovirus D68 that pose a potential yet unrealized impact in Santa Barbara County. There are also emerging infectious diseases like Ebola. Although there has not been an incident in the County where a person was suspected of having Ebola, the County must prepare and be ready to respond appropriately.

The trends and needs in infectious diseases are not predictable and the resource needs may be significant.

15. ADMHS Cost Report Settlement Issues

The County has liability exposure with each fiscal year's submitted cost report until the cost reports are audited by the State. In the County's Comprehensive Annual Financial Report (CAFR) ending June 30, 2014, the County currently estimates a potential liability exposure of up to \$4.6 million for outstanding issues with the State dating back to FY 2006-07. The County has identified sources to pay all these liabilities that include a General Fund audit exception committed fund balance of \$2.2 million and ADMHS other long-term liabilities payable of \$2.4 million. The cost settlement process can span a 5-10 year period, whereby additional cost settlement liabilities could be assessed until audited. Currently, ADMHS has unaudited settlements for FY 2008-09 to FY 2013-14.

Based on the State's cost report filing process and long delay in the performance of audits, cost report settlements will continue to occur many years after costs have been incurred and reports submitted. ADMHS has improved its processes in an effort to reduce the magnitude of such settlements. Processes and staff were in place by FY 2009-10 and it is anticipated that settlements for FY 2010-11 and subsequent periods will not be as large as in prior years.

16. Public Health Loss of 1991 Realignment Funding

On January 1, 2014, both the Affordable Care Act (ACA) and the redirection of 1991 Health Realignment became a reality. In response to the challenges created by the loss of approximately \$8 million of 1991 Health Realignment annually, the Public Health Department (PHD) developed and implemented operational and financial actions to take advantage of opportunities made available by the ACA. These actions included making aggressive outreach and enrollment efforts to get patients connected to a funding source, implementing the Indigent Care Program (ICP) that ensures that applicants avail themselves of the new benefit expansions under the ACA, and working with community partners on programs that encourage new Medi-Cal enrollees to seek early preventative care.

As a result, the PHD experienced growth in its Medi-Cal population considerably ahead of its original projections for the assignment of new CenCal Health members: 19,000 as of the first quarter of FY 14-15 versus the projection of 16,000 as of the end of FY 2014-15. The new demand for services has required the Department to undertake actions, including applying for grants, to increase medical and other support staffing to expand services. Currently, staffing expansions include 6.25 positions that are grant funded: 1.0 Full Time Equivalent (FTE) physician and 0.50 FTE mid-level provider positions in the North County and the conversion of 4.0 FTEs Certified Enrollment Counselors to regular positions from independent contractors. In addition, new technology requirements from the ACA have necessitated the addition of 2.0 FTE Electronic Health Record support staff to better assist the Department's providers with ongoing use and training on the system which are funded through newly generated ACA Medi-Cal dollars.

17. Elections Systems

The current vote tabulation system in use by Santa Barbara County (Accu-Votes) was purchased in 2000 and is in need of replacement. The Accu-Votes have exceeded their expected useful life of seven years and present increasing operational risks as these machines continue to age. The deployment of the Accu-Votes at polling locations was discontinued several years ago and all poll ballots are tabulated in-house on election night to reduce the number of units used per election. This allowed the opportunity to replace units with mechanical issues, which must be quarantined for two years. As the units continue to age, there will be a higher degree of mechanical failures and the back-up units will eventually be depleted. Any new voting system in California must pass federal and state certification and currently no new certified systems are available. In 2014, a new regulation went into effect for certification in California that exceeds the standards for federal certification. This new regulation may limit the number of vendors bringing forward systems for certification in California, and potentially drive up system costs. It's anticipated that a new system, currently in the certification process, may become available during Fiscal Year 2016-17. The potential cost of a new system is estimated at \$2.5 million with potentially \$2.0 million of grant funds available from the Help America Vote Act (HAVA) Fund.

In addition to a new County vote tabulation system, Elections needs to acquire certain equipment to comply with the State requirements of conditional voter registration that will likely become effective during Fiscal Year 2016-17. Currently, the close of registration is the 15th day before the election. Conditional voter registration will allow individuals to register to vote by conditional registration and vote by provisional ballot in the election offices from the 14th day before the election through Election Day. To comply with the new State requirements, additional voting equipment will need to be acquired to accommodate voter registration through Election Day and higher issuance of provisional ballots. The cost of new equipment is estimated to cost \$285,000. Additional staff resources may also be required to implement new systems and equipment; however the cost cannot be reasonably estimated at this time.

Assuming the \$2.0 million in HAVA grant funds are available for the acquisition of the vote tabulation system, additional funding of approximately \$0.8 million will be required to fully fund the cost of the vote tabulation system and conditional voter registration equipment. Elections currently has \$0.8 million dollars available for this use in a committed fund balance account established specifically for the purpose of replacing voting systems. However, should the HAVA grant funds not be available or qualify for use, a General Fund contribution may be required.