



Behavioral Health Fund

STATUS, SERVICE DEMANDS & NEEDED ACTIONS

KAYLA SCHOTT-BRESLER, DEPUTY EXECUTIVE

CHARLENE RAMONT, WCHCS INTERIM DIRECTOR

WHATCOM COUNTY COUNCIL

FINANCE COMMITTEE

JUNE 24, 2025



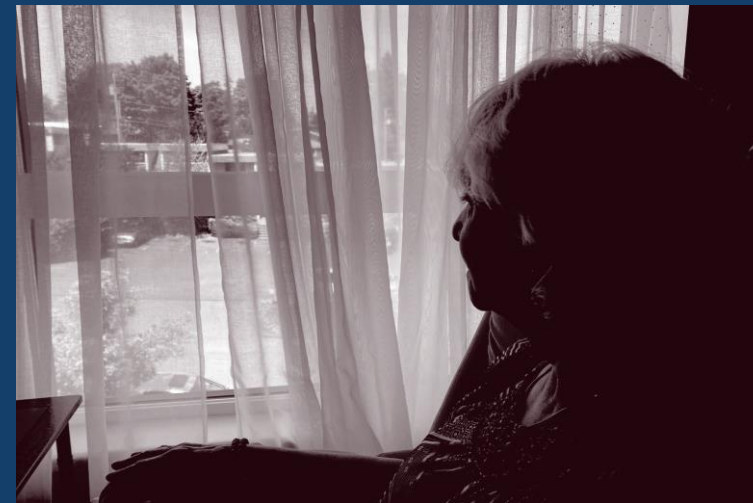
Outline

- 1** Behavioral Health Fund Overview
- 2** How Did We Get Here
- 3** Immediate Challenges
- 4** Recommendations
- 5** Long Term Solutions



Overview

- Passed in 2008, Whatcom County implemented a **0.1% sales and use tax** dedicated to funding chemical dependency and mental health programs. However, multiple revenue streams contribute to the fund
- **Per county code**, managed by the Health and Community Services Department with advice from Behavioral Health Advisory Committee
- These funds are used to **support programs** like Ground-Level Response and Coordinated Engagement (GRACE), Recovery Court, Mental Health Court, Alternative Response Team (ART), Housing Support Services, Drug Prevention, Reentry in Jail, and more
- Historically (2018-2022), it collected and spent **approximately \$5-6 million**



Eva, a client of the GRACE program watches for her case manager to arrive*

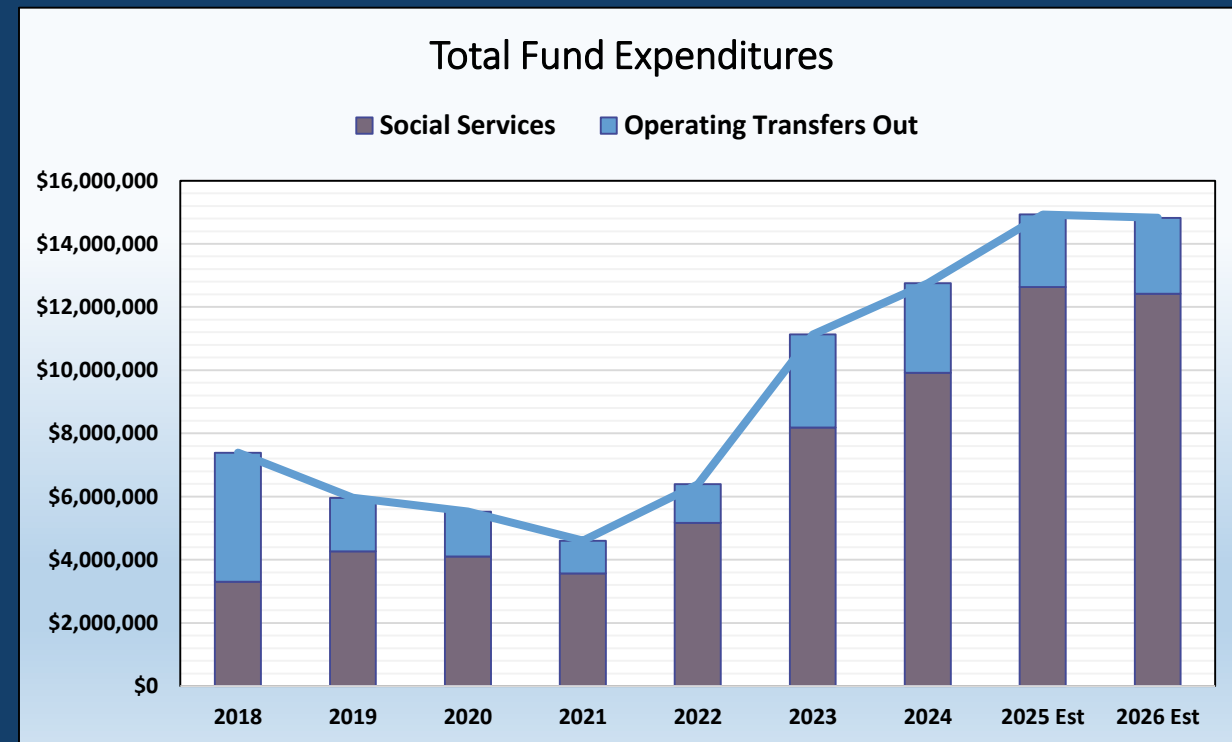
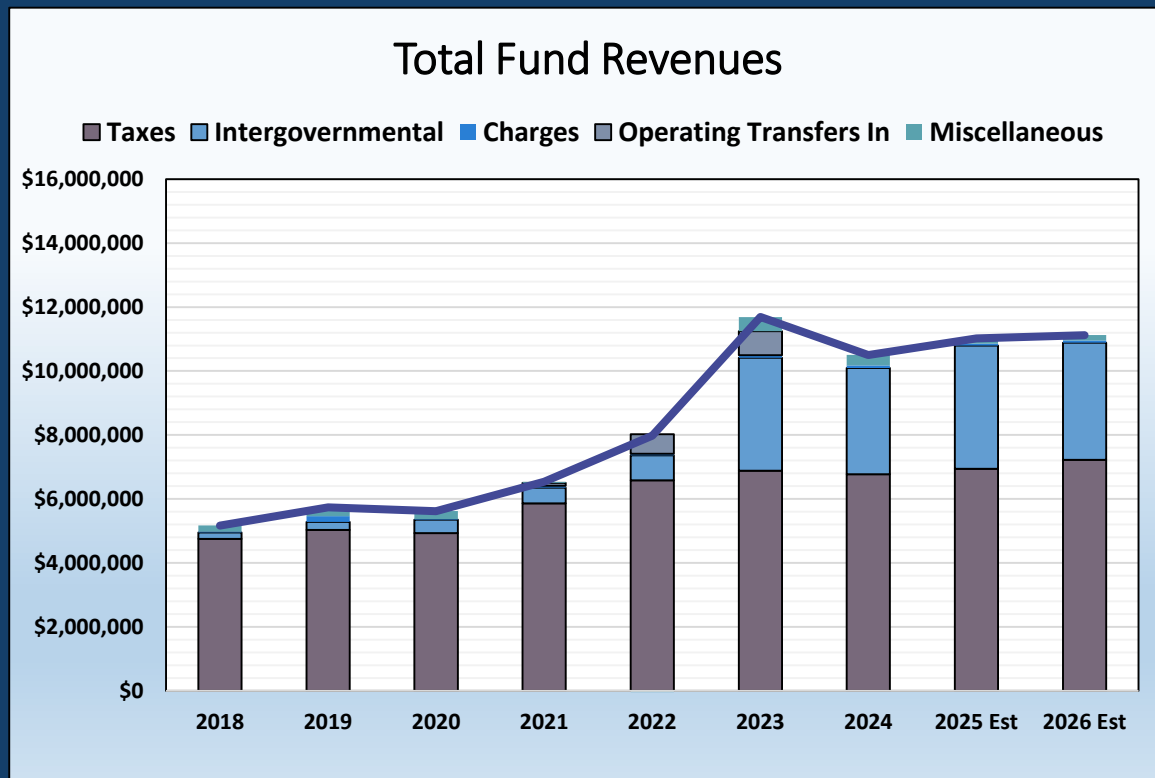
Process

- **Health and Community Services** and **Executive** develops the budget in consultation with BHAC and Public Health Advisory Board (PHAB)
- Budget is reviewed and voted on by **County Council**
- **Health and Community Services** put that budget into action (sign contracts, direct staff), with oversight by **Executive**





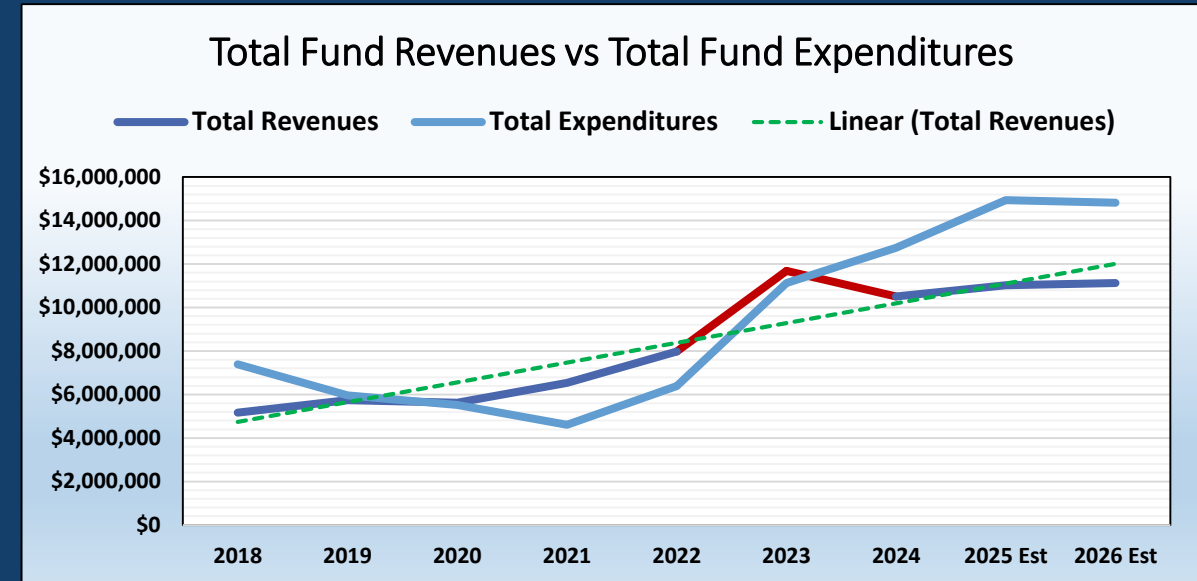
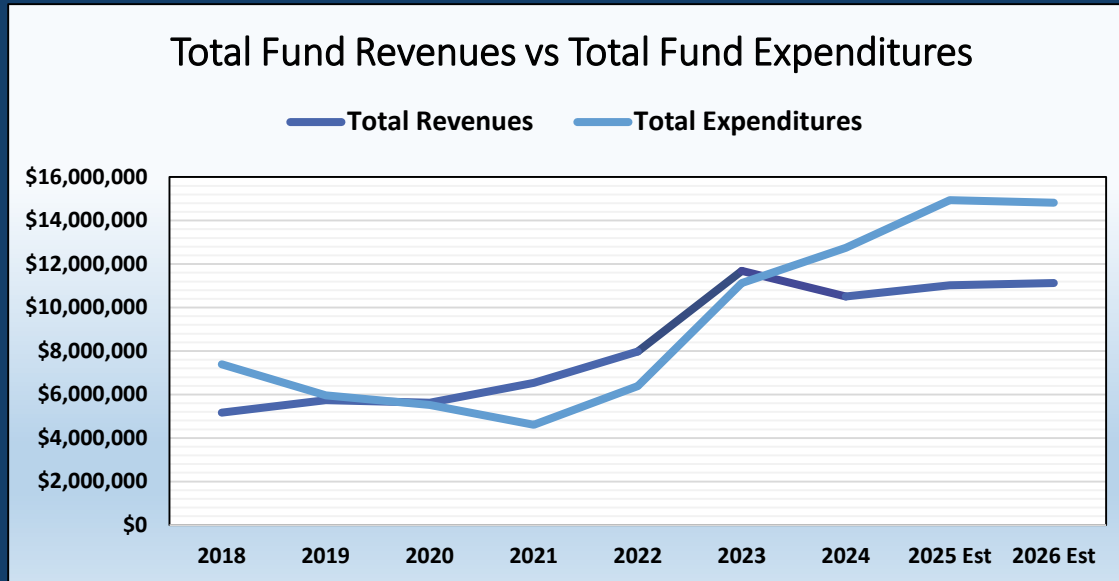
How Did We Get Here



Beginning in 2023, expenditures began to outpace revenues



How Did We Get Here



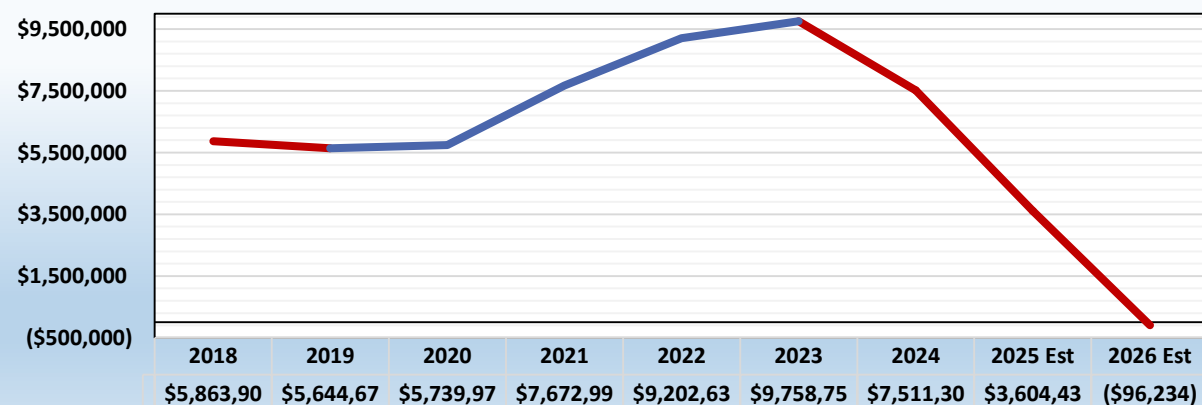
The red colored portion are the result of
one time revenue from other funds.

This did not continue in 2024-onward



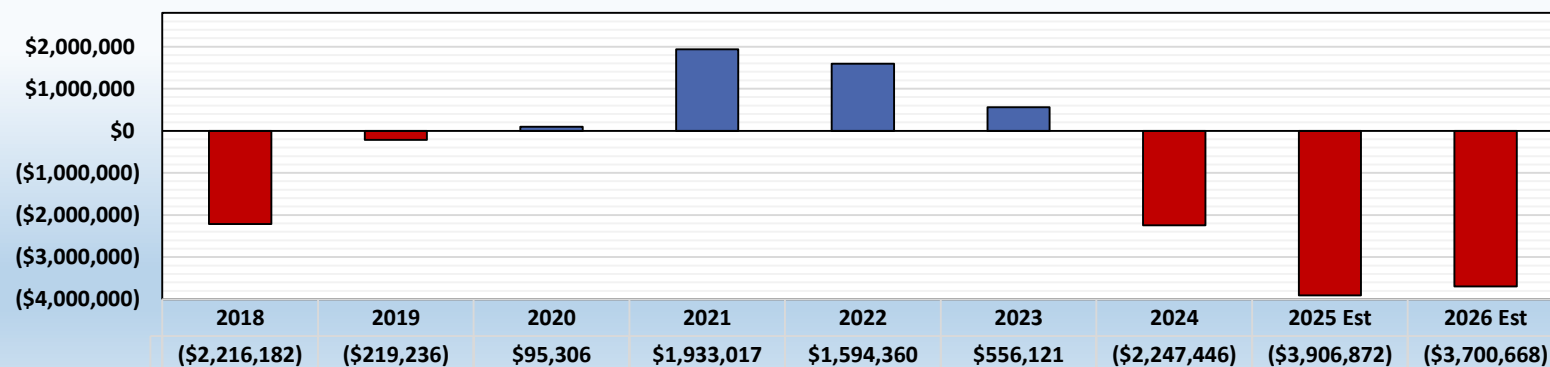
Acute Spenddown & Structural Imbalance

Annual Ending Fund Balance Levels



Several County funds
(General Fund, EMS, Road) are facing
structural imbalance
but this fund is particularly acute

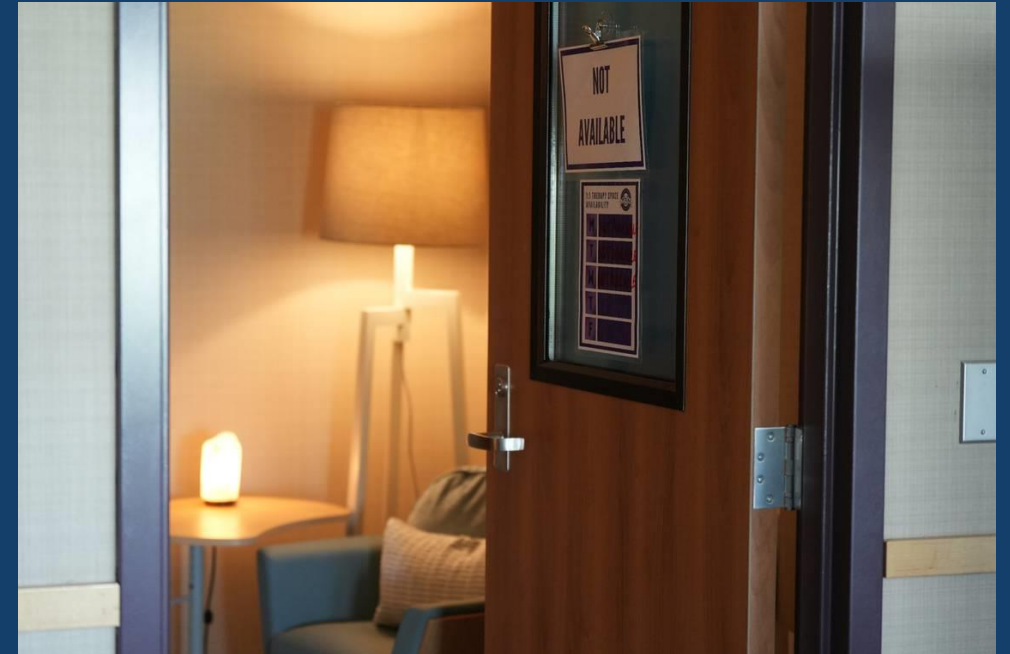
Annual Change in Ending Fund Balance





What happened in 2023 – Expenses

- In 2023, the Health and Community Services Department signed contracts with Whatcom County schools to staff and **provide support for youth mental health** programming
- This was an **intentional spend down** of the Behavioral Health Fund reserves to address a critical need in the wake of the mental health crisis for post-pandemic school age children





What happened since 2023 – Expenses

- **Labor costs increased** more than expected (inflationary expenses + new positions charged to the fund)
- Other programmatic increases
- Indirect costs have increased (billing, facilities, utilities)
- One time transfers to other projects
 - **Crisis Relief Center** project in 2024



Independent Analysis

Doug Merriman, PhD and President of Merriman Consulting Group

- Government Finances Expert, CPA
- City administrator at Oak Harbor, Sedro-Woolley, budget manager at COB
- Currently retained as budgeting consultant





Requires Action

This requires both **Immediate** and **Long-Term actions** to resolve

- 1) **Balanced Budget Requirement (RCW 36.40.040):** “Counties must adopt a balanced budget where expenditures do not exceed available revenues and reserves. The continued use of fund balance to support ongoing operations may violate this requirement if reserves are exhausted.”
- 2) **Prohibited Indebtedness (Washington Constitution, Article VIII, Sec. 6):** “Counties may not incur debt or obligations exceeding revenue unless authorized by a vote of the people. A negative fund balance may constitute an unlawful indebtedness if expenditures are authorized without available funding.”
- 3) **Budgetary Controls (RCW 36.40.100):** “Expenditures are legally limited to appropriated amounts. Over-expenditure beyond legally adopted appropriations—even through the use of fund balances—may require Council action and justification.”



Requires Action

Risks and Consequences of Operating in a Deficit

- 1) Audit Findings and Sanctions
- 2) Bond Rating Downgrades
- 3) Service Disruption and Layoffs

Guiding Principles

Guiding Principles

- **Economic Resilience** – building stability in fluctuating market conditions
- **Core Services** – staying true to the role of a County government
- **Transparency** – providing the public with a clear picture of where tax dollars are spent and services provided



Immediate Recommendations

- Eliminate **vacant positions** supported by the BH Fund
- Negotiate **modest reductions** with school districts
- Look to **MH & DD Fund** to fund up to \$1M of school contracts
- Work with staff, the BH Advisory Committee, and the County Council to prepare a **structurally balanced budget** for 2027-2028



School Contracts

- **SUD Services**— annual renewals since 2014
 - Annual renewals at \$900,000 per year
 - \$1,200,000 in budgeted authority needed to get us through Spring 2026
- **MH Expansion**— three year commitment beginning in 2023-2024 school year
 - \$1,800,000 unbudgeted obligations

School Contracts

Existing & Upcoming Contractual Services		
MH Obligations	\$640,000	Spring '25
MH Obligations	\$1,160,000	Fall '25-Spring '26
SUD Obligations	\$600,000	Spring '25
SUD Contracts (Negotiating)	\$600,000	Fall '25-Spring '26
Total Expenses	\$3,000,000	Through Spring '26
Proposed Budgeting Actions		
BH Fund	\$1,500,000	Intro 6/10/25
MH & DD Fund	\$1,000,000	Intro 7/8/25
Total Budget Request	\$2,500,000	
Unbudgeted		
Dept to absorb/reneegotiate	\$500,000	

*will need to bring forward additional requests during mid-biennium if we wish to continue SUD service contracts; the 2026-2027 school year is not reflected in the adopted budget.



Effect of Proposed \$1.5M BH Fund Supplemental

Behavioral Health Fund	2025 (Projected)	2026 (Projected)
Beginning Available Funds	\$7,511,305	\$4,296,812
Plus: Annual Revenue	\$11,024,611	\$11,121,662
Less: Annual Expenses	(\$14,239,104)	(\$13,321,789)
Annual Income (Deficit)	(\$3,214,493)	(\$2,200,127)
Projected Ending Available Funds	\$4,296,812	\$2,096,685

Structural deficit

This is projected ending fund balance Dec 2026 if the proposed supplemental is approved; if we move forward with budgeting School SUD services for 2026-2027, this would be reduced to approximately \$1M.



Effect of Proposed \$1M MH & DD Fund Supplemental

Mental Health CC in MH & DD Fund	2025 (Projected)	2026 (Projected)
Beginning Available Funds	\$1,233,738	\$580,909
Plus: Annual Revenue	\$830,221	\$840,563
Less: Annual Expenses	(\$1,483,050)	(\$503,906)
Annual Income (Deficit)	(\$652,829)	\$336,657
Projected Ending Available Funds	\$580,909	\$917,566



Long-Term Actions

- Policy Changes: Align One-Time Revenues with One-Time Uses
- Revenue Enhancement
- Phased Correction Plan – targeting January 2027 for balanced budget
- Enhanced Monitoring and Forecasting
- Adopt a Fiscal Sustainability Resolution
- Establish a Contingency Planning Framework



Discussion and Next Steps

- Executive in consultation with Health and Community Services suggesting immediate action for FY2025
- BHAC will provide input and prioritization this summer for FY2026 and beyond to stabilize the fund.
- Consider
 - “What is the highest and best use of these funds?”
 - “What is in the best interest of our community?”
 - “What provides the best outcomes for the resources spent?”

Guiding Principles

Economic Resilience

Core Services

Transparency