

# Impact of Federal Budget Cuts and the County's Response

Santa Clara Valley Water District Board of Directors

September 23, 2025



County of Santa Clara

# H.R. 1 Overview



H.R. 1, or the “One Big Beautiful Bill Act,” is the federal budget reconciliation bill that was signed into law by President Trump on July 4, 2025.



Enacts the largest cuts in our nation’s history to Medicaid (known as Medi-Cal in CA) and food assistance (CalFresh in CA) to help fund tax cuts primarily benefitting the wealthiest Americans.

→ **\$1 trillion** in cuts to Medicaid

→ **\$186 billion** in cuts to Supplemental Nutrition Assistance Program (SNAP)



Medicaid is a critical social safety net program that provides healthcare coverage for nearly 1 in 5 Americans. Approximately half of all children in the United States are covered by Medicaid.



SNAP provides basic food assistance for 1 in 8 Americans. SNAP is the largest child nutrition program providing benefits for 1 in 4 children in the United States.

# H.R. 1 Impacts to Our Community

- ▶ H.R. 1 puts access to healthcare and food assistance at risk for thousands of families in Santa Clara County.
  - ▶ **1 in 4** Santa Clara County residents (465,000) rely on Medi-Cal.
  - ▶ **133,000** Santa Clara County residents rely on CalFresh for food assistance.
- ▶ Counties in California have a legal obligation to provide care to the poor (Welfare and Institutions Code, Section 17000) and all hospitals are legally obligated to provide emergency care to patients regardless of the patient's ability to pay.
- ▶ With a much larger uninsured population and dramatically fewer resources with which to provide care, H.R. 1 puts the County's hospitals and health services at risk, threatening access to care for all residents.

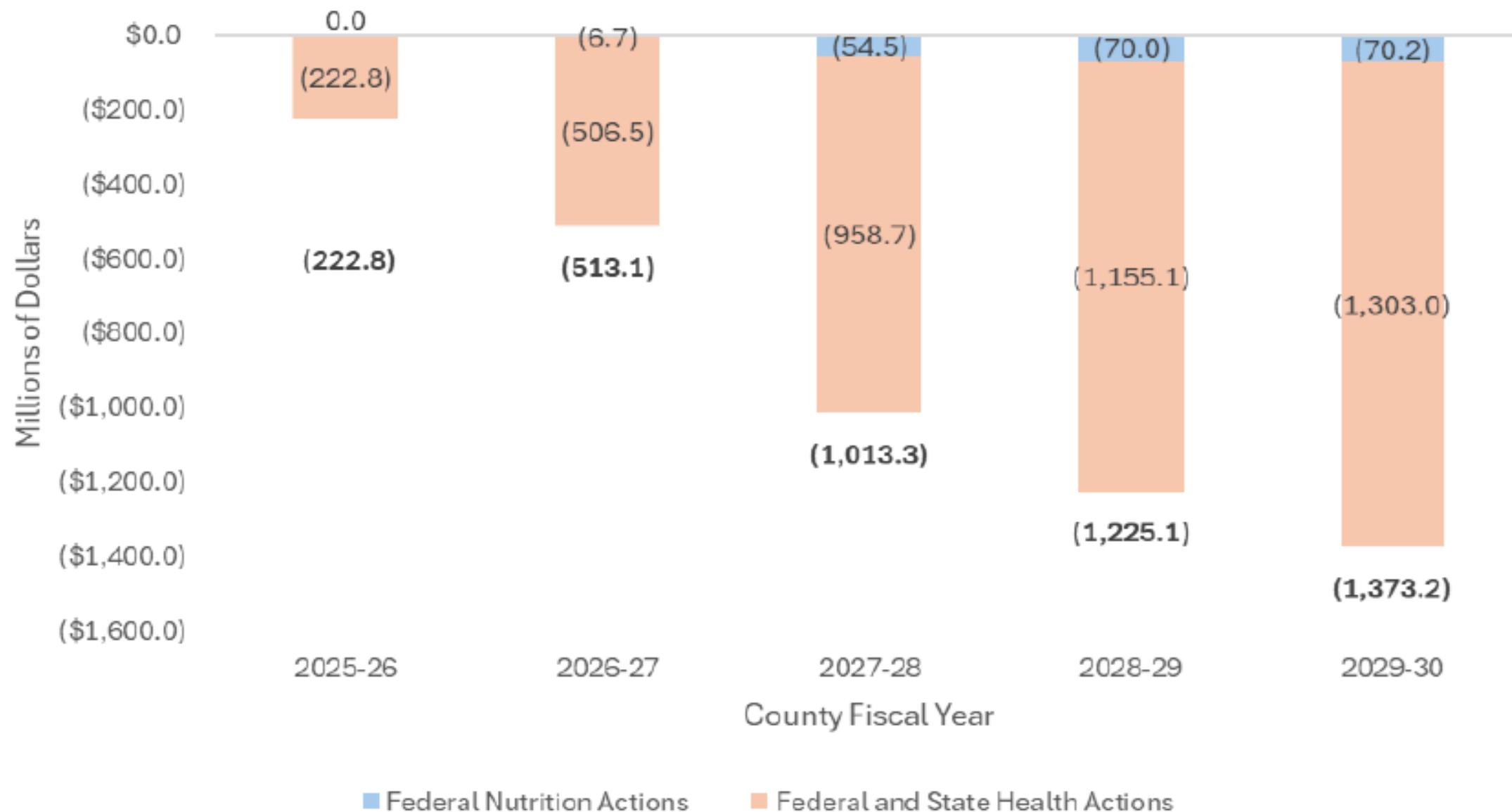


# H.R. 1 Creates a County Fiscal Crisis

- ▶ Medicaid is the single largest source of federal funding for the County, totaling \$2.3 billion in FY25-26.
- ▶ Medi-Cal funding accounts for more than half of all revenue for Santa Clara Valley Healthcare (SCVH), the County's healthcare delivery system.
- ▶ The County expects \$1 billion in lost revenue per year, representing a significant portion of the \$4.6B total annual budget for Santa Clara Valley Healthcare
  - ▶ This is a destabilizing level of cuts that can only result in extraordinarily harmful service reductions if not addressed.



# Projected Impact to County Revenues (Summary)



# H.R. 1 Threatens Access to Healthcare and Local Hospitals

Santa Clara Valley Healthcare operates 4 hospitals and 15 major health centers in Santa Clara County and is the largest provider of many critical healthcare services to all residents:

- ▶ Provides care for nearly 1 in 4 Santa Clara County residents.
- ▶ Operates 2 of only 3 trauma centers in Santa Clara County.
- ▶ Largest provider of both Medi-Cal and Medicare hospital services to Santa Clara County residents.
- ▶ Only Burn Center in Santa Clara County and 1 of only 3 regional centers of its kind between Los Angeles and the Oregon border.
- ▶ Top ranked Rehabilitation Center on the entire West Coast.



# County Residents Rely on Santa Clara Valley Healthcare

Santa Clara Valley Healthcare is there when residents are in crisis.

**Half of 9-1-1 ambulance trips** are taken to a County hospital

**Every eleven minutes** a 9-1-1 call results in a patient being transported to a County hospital

**80% of trauma cases** transported by ambulance are taken to a County hospital

Santa Clara Valley Healthcare operates **four general acute care hospitals**, **2 of the 3 trauma centers**, and the only burn center in Santa Clara County.





# Why Does the County Operate Four Hospitals?

- ▶ All 3 of the hospitals the County has acquired in recent years were purchased to prevent hospital closure or to reverse the termination of critical lines of service
- ▶ In 2019, the County was the only bidder when O'Connor and St. Louise went through bankruptcy.
- ▶ In 2025, the County purchased Regional Medical Center (RMC) after the former operator terminated trauma, STEMI, and other critical services in August 2024. **SCVH restored these services on April 1.**
- ▶ For every dollar the County spends on healthcare, 88 cents comes from healthcare system revenue.
- ▶ **It is only due to the unprecedented cuts from the federal government that the sustainability of these hospitals has been put at serious risk.**

# H.R. 1 Puts County Services at Risk

Federal cuts of the magnitude we face present a major risk to *all* County services from public safety to homelessness. A \$1 billion funding shortfall is too significant for Santa Clara Valley Healthcare to absorb on its own.



**Housing support**



**Homelessness prevention**



**Behavioral health**



**Public safety**

# County's Response to H.R. 1

To address the extraordinary fiscal emergency caused by H.R. 1, the County is taking swift, proactive steps in several areas.

Reducing Costs and Increasing Revenue

Seeking State Support

Pursuing Revenue Solutions



## County's Response

# Actions to Reduce Costs and Increase Revenue

- ▶ **The County has launched a multitude of initiatives in recent fiscal years in response to declining economy and slowing property tax growth:**
  - Operational and organizational efficiencies
  - Restructuring programs and service delivery models
  - Reviewing fees and charges to ensure full-cost recovery
  - Hiring freezes and staff reductions, including eliminating close to 800 positions over the past three fiscal years
- ▶ **Despite these actions, the funding gap from H.R. 1 is unprecedented.**  
Sizable reductions and consolidations of services will be needed.

## County's Response

# State and Local Actions

- ▶ **The State will play a critical role in determining how federal cuts under H.R. 1 are absorbed.**
  - Medi-Cal and CalFresh are jointly funded by the federal and state government.
  - County Administration will work closely with the State to protect public hospitals
    - Public hospitals make up only 6% of California's hospitals but operate more than 50% of trauma and burn centers and train over 50% of California's doctors.

## County's Response

# Measure A

- On August 7, 2025, the Board of Supervisors unanimously voted to place an emergency, temporary general sales tax measure of 5/8 of a cent on the ballot. If approved, the tax would be in place for five years and generate \$330 million in revenue each year.
- The County has very limited options for raising local revenue for services. Unlike cities, counties can only enact taxes that have been affirmatively authorized by the State.
- SB 335 grants the County temporary authority to provide voters the option to raise local sales taxes by 5/8 of a cent for County services.
  - Measure A does not affect the ability of any local jurisdiction to propose a sales tax measure to their voters.

# Summary

- ▶ Our community is facing a true healthcare emergency caused by the federal government.
- ▶ The crisis will hit us soon and worsen in the next few years.
- ▶ The County's hospital and health clinics will be hit hardest, but other critical County services – such as mental health care and public safety – are also threatened.
- ▶ Everyone's care is at risk, as closure of trauma centers or emergency departments increase wait times and affect patient care regardless of what insurance you have.
- ▶ Even if the temporary sales tax passes, the County will have to make hundreds of millions of dollars in service cuts to address a \$1 billion+ shortfall.
- ▶ Over the next several years, we need to come together as a community to chart a path forward that ensures the health and well-being of our residents, especially those most in need.



# Thank You

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