

Impact of Federal Budget Cuts and the County's Response

San Jose City Council

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County of Santa Clara

Overview of H.R. 1 and Federal Budget Cuts



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 cuts a seismic tear into the social safety net of our country and poses a grave fiscal threat to the County of Santa Clara and Santa Clara Valley Healthcare.

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.

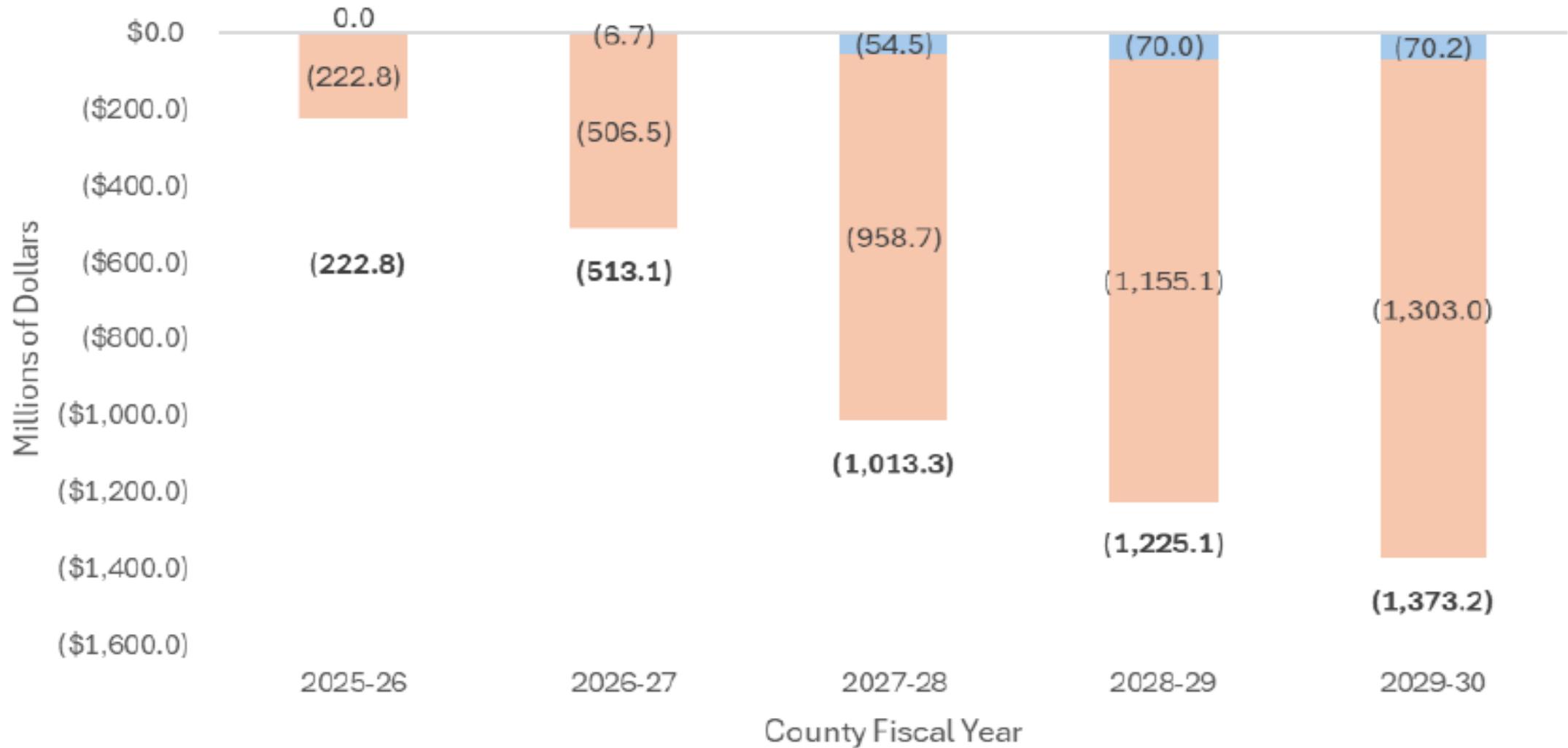


H.R. 1 Creates a County Fiscal Crisis

- ▶ 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 more than \$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 devastating and destabilizing level of cuts that can only result in extraordinarily harmful service reductions if not addressed.



Projected Impact to County Revenues (Summary)



■ Federal Nutrition Actions

■ Federal and State Health Actions



H.R. 1 Puts Access to Healthcare and Local Hospitals at Risk

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 and handles **80% of all trauma cases** originating within the county.
- ▶ **Largest provider** of both **Medi-Cal** and **Medicare** hospital services to Santa Clara County residents.
- ▶ **Top ranked Rehabilitation Center** on the entire West Coast.
- ▶ **Only Burn Center** in Santa Clara County and 1 of only 3 regional centers of its kind between Los Angeles and the Oregon border.



San Jose Residents Rely on Santa Clara Valley Healthcare

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

60% of 9-1-1 ambulance trips from San Jose are taken to a County hospital

Every fifteen minutes a San Jose 9-1-1 call results in a patient being transported to a County hospital

98% of trauma cases transported by ambulance are taken to a County hospital

Santa Clara Valley Healthcare operates **3 of the 5 general acute care hospitals**, the **only 2 trauma centers**, the only burn center, as well as 10 major health clinics in San Jose.

Santa Clara Valley Healthcare Fills Critical Gaps

Homeless Outreach and Services

- Served **10,000+ patients with unstable housing** last year with more than 65,000 visits, including through its backpack medicine program and Valley Homeless Healthcare Program and clinics.

Behavioral Health

- Operates the **only 24/7 locked psychiatric emergency room for adults** (EPS), a 7-day per week mental health urgent care clinic, two inpatient units at Valley Medical Center, and has nearly completed construction of a new Child, Adolescent, and Adult Behavioral Health Services Center that will help address urgent community needs.

Disaster Response

- Helped lead the region's response to COVID-19, launching perhaps the most extensive County-operated community testing and vaccination program in the nation, **delivering more than 815,000 vaccine doses to San Jose residents** during the height of the pandemic, regardless of the patient's regular healthcare provider or insurance coverage.

Why Does the County Operate Four Hospitals?

- ▶ All 3 of the hospitals the County has acquired in recent years were purchased from private, for-profit hospital operators 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.**



County Hospitals Are Busy

Santa Clara Valley Healthcare Hospital Utilization, July 2025

Hospital	Average Daily Patient Census	Average Daily ER Visits	Total Surgeries in July 2025
SCVMC	426	239	912
O'Connor	171	179	699
St. Louise	41	115	160
Regional Medical Ctr.	167	213	222
Total:	805	746	1,993

*Since SCVH took over Regional Medical Center on April 1, 2025, the hospital census has surged from ≈ 90 in late March to now peaking over 180 on many days.

H.R. 1 Puts All 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.



The image features a dark blue horizontal bar containing four white circular icons. From left to right: 1. Three houses of varying sizes. 2. A family of three (two adults and a child) under an umbrella. 3. A stylized human figure holding a heart above their head. 4. A shield with a checkmark inside.

- Housing support**
- Homelessness prevention**
- Behavioral health**
- Public safety**

Impacts to County Services

Homelessness

- ▶ A majority of the County's funding for homelessness in FY24-25 — **about \$300 million** — was invested in San José.
- ▶ Two-thirds (66%) of County funding for temporary shelter serves San Jose.
 - ▶ The County currently funds 28 shelters across Santa Clara County, including 17 shelter sites in San José.
- ▶ Cuts to critical support programs like health care and food assistance programs are linked to rising homelessness and housing instability.
- ▶ Although H.R.1 includes an expansion of the Low-Income Housing Tax Credit program, cuts to other programs like housing vouchers will likely reduce the County's ability to create pathways from homelessness to housing.

More than 70% of the County's annual spending on rental subsidies, supportive housing, and prevention programs serve San Jose residents.

Behavioral Health

- ▶ Loss of Medicaid funding will impact outpatient services and facility-based services for behavioral health clients and put greater pressure on local sources of funding for services.
- ▶ **Federal funding cuts put at direct risk:**
 - ▶ Progress towards our goal of 530 new treatment beds by 2030
 - ▶ Funding for rental assistance and temporary housing to keep clients who are receiving behavioral health treatment safely housed
 - ▶ Plans to operate the nearly completed, state-of-the-art Behavioral Health Services Pavilion, that will include a Mental Health Urgent Care, Emergency Psychiatric Services and a locked 77-Bed Acute Psychiatric Hospital that will expand access to critical mental health care for children and adolescents.

About **two-thirds** of all County Behavioral Health Services clients live in San Jose.

Public Safety

- ▶ The overwhelming majority of discretionary funding the County receives is dedicated to health and public safety services, including the Sheriff's Office, the District Attorney's Office, the Public Defender's Office, Probation Department, and other critical public safety programs. All of these services are at risk from a dramatic reduction in County resources.
- ▶ Cuts to federal funding will impact victims of crime, including victims of sexual assault, child victims of sexual assault and human trafficking, and domestic violence. Many victims of violence use Medi-Cal services to address crime related care and injuries, including children.
 - ▶ Over 60% of children served at the San Jose Children's Advocacy Center use Medi-Cal services to access needed medical and mental health care necessary for their recovery.

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 Local Solutions



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.

Seeking State Support

- ▶ **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.

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 city to propose a sales tax measure to their voters.
- Under state law, many common household expenses (e.g. rent, groceries, utilities, childcare, etc.) are exempt from sales taxes.

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

Visit scc.info/federal_funding for more information

