COUNTY OF SANTA CRUZ

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Nicole D. Coburn, County Executive Officer

News Release

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BOARD AUTHORIZES SALES TAX VOTE, DECLARES FISCAL DISTRESS

The Santa Cruz County Board of Supervisors today placed a temporary, one-half cent transactions and use tax before voters on the November 3, 2026 ballot and declared a state of fiscal distress in response to significant federal and state funding reductions affecting safety-net service throughout the county.

If approved by a majority of voters, the temporary measure would generate approximately $27 million annually for five years to help Santa Cruz County respond to reduced federal support for healthcare, emergency medical services, nutrition assistance, behavioral health and other essential services. In addition to reducing funding for healthcare and safety-net programs, the changes make it more difficult for residents and enroll in and maintain essential benefits, while shifting greater costs and service demands to counties and local providers.

The County estimates these changes will result in more than $150 million in increased costs and reduced revenues for the County and its community partners over the next five years. The Board's action includes adoption of a declaration of fiscal distress recognizing that recent federal legislation and related state actions have significantly worsened the County's financial outlook.

Recent federal legislation, administrative actions and related state fiscal decisions are shifting greater costs and responsibilities to counties. State officials estimate 1.1 million Californians will lose Medi-Cal coverage, while some researchers project the number could reach nearly 3 million by 2028. The Central California Alliance for Health projects a 27 percent decline in Medi-Cal enrollment across its five-county service area and resulting losses in Santa Cruz County's provider network could eventually exceed $200 million annually. The California State Association of Counties also estimates H.R. 1 could shift $6 billion to $9.5 billion annually in costs and lost revenues to California counties and county-affiliated health systems as federal support declines.

"Communities across the country are facing the consequences of significant changes in federal funding," Board Chair Monica Martinez said. "Today's action gives the people of Santa Cruz County the opportunity to decide whether they want to be part of a local response that lifts up and protects their fellow County residents."

The Board has identified broad priorities that include healthcare and emergency medical services, behavioral health, food security, housing stability and other essential community services. If approved by voters, future appropriations will be determined by the Board of Supervisors through regular appropriations processes that include public hearings and community input.

“Santa Cruz County and its partners have made enormous progress in recent years developing programs and facilities to expand mental health and substance use treatment, improve care coordination, strengthen partnerships with healthcare providers and community organizations, and reduce homelessness,” Santa Cruz County CEO Nicole Coburn said. "Our community has a choice to make: Do we want to continue making progress, helping to preserve essential services and meet basic needs for so many residents, or do we want to risk losing ground?"

The vote is contingent on SB 762, which authorizes a local ballot measure and is supported by numerous local agencies, organizations, cities and providers, including the largest union representing County workers. The bill was approved by the Senate Monday and is headed to Gov. Gavin Newsom’s desk.