

# REIMAGINING PUBLIC SAFETY

## DESIGNING A REIMAGINED SYSTEM Paying for It

One of the critical questions around alternative response is how to fund it. In order to begin to tackle this question, we asked our partners at the [Government Finance Officers' Association \(GFOA\)](#) for research and insight.<sup>1</sup>

GFOA conducted interviews of jurisdictions of varying sizes and locations, and at different points in the journey of implementing alternative response. The participating municipalities are listed below. This brief describes what they found.



- **City and County of Denver, Colorado**
- **City of Eugene, Oregon**
- **County of Fairfax, Virginia**
- **City of Providence, Rhode Island**
- **City of Redmond, Washington**
- **City of Rochester, New York**
- **City of Rockford, Illinois**
- **City of Scottsdale, Arizona**

While this report is focused on paying for the costs of alternative response, it is important to acknowledge that our current approach (sending the police out as default responders to the majority of society's problems, many of which are social in nature) has many costs. In hard, fiscal dollars, police are expensive. But there also are opportunity costs and social costs, which are incurred when police fail to address the underlying problem that led to the 911 call, or when a police response results in harm. For further discussion, see [Why Reimagine](#).

<sup>1</sup> GFOA is a national association of municipal finance officers that provides public financing technical assistance, training, and consulting.

# How is alternative primary response funded at present?

The first question to take up is how alternative response is funded presently. There is no single funding model, but there are a number of general themes that GFOA found:

## Local taxes are often the primary funding source.

The local governments interviewed are relying in large measure on locally-produced tax dollars to fund alternative response. Often this is the local government's general fund. Scottsdale, for example, funds its CIT and MCT officers entirely through its general fund. Providence uses its general fund for partial funding as does the City of Eugene. Special dedicated local taxes are another important source of funding. Denver and Rockford both are funded by a special sales tax dedicated to public safety (but not dedicated only to alternative response). The City of Redmond is planning a special property tax levy that will fund its alternative response. The City of Eugene funds part of its CAHOOTS program through a dedicated payroll tax (the rest comes from the general fund budget).

The GFOA research report [New Taxes that Work](#) provides guidance on how best to approach raising a new local tax. Here are a couple of useful findings in the report:

- **Associate the tax with a concrete service.** In Denver, voters approved a 0.25% increase in sales and use taxes in 2018 specifically to fund behavioral health services for Denver residents. At least 10% of the tax revenue generated by the additional 0.25% tax on retail sales comes back to Denver for funding alternatives to jail, including Denver's co-responder program.



- **Engage citizens to help define the need for new revenues and build a network of supporters for new revenue.** Denver does both of these through the Caring for Denver Foundation.

Caring for Denver is a non-profit that helps administer the tax revenue described above. Its board members are drawn from different branches of City and County government as well as from community organizations. Caring for Denver uses tax dollars to make grants to support behavioral health services.

- **Demonstrate that the tax produces value for the public.** In Rockford, the special tax is collected by the County and distributed to the City as a "grant" that is made available to local agencies (like the City). An application was made to make the case for co-response as a worthwhile use of funds, and pilot projects were undertaken to validate the potential. Denver's situation is similar, where the revenue from the special tax goes to Caring for Denver and then the City must make an application to receive the funds. In both cases, the funding of alternative response is not automatic and is conditioned on the City government making the case that the services provide adequate value.

## Limited use is being made of American Rescue Plan Act (ARPA) funds.<sup>2</sup>

Although the governments interviewed had access to ARPA funds, few of them seem to be using these dollars for alternative response.<sup>3</sup> But some are. For 2023, Providence, Rhode Island budgeted just over \$700,000 of general funds money for City staff and contractors for its alternative response program. The City also identified an additional \$1.75 million

---

<sup>2</sup> You can learn more about ARPA and what it covers here: <https://www.gfoa.org/flc-analysis-of-current-proposed-covid-19-relief-measures>

<sup>3</sup> Among the other local governments GFOA consulted, very little use is being made of ARPA funds. Denver, Rockford, Scottsdale, and Redmond are not using ARPA funds at all. Fairfax County had anticipated using ARPA to help fund its pilots, but decided to rely mostly on its own funding sources because the schedule for implementing/expanding co-response did not match the schedule on which ARPA funding was available.

in ARPA funding to expand the program. There are reports that more local governments, too, are using ARPA funding to support alternative response, including Houston and Detroit.<sup>4</sup>

ARPA funding is a non-recurring revenue, whereas alternative response is intended to be an on-going program. For this reason, ARPA is useful only as a temporary funding source. To keep alternative response going, governments will need a sustainable funding strategy reaching into the future.

### **Medicaid reimbursement does not play a consistent role in funding alternative response.**

Medicaid could, in theory, support co-response financially. Among the governments GFOA spoke with, however, the use of Medicaid was uneven. Denver appeared to be the government making the most use of Medicaid reimbursement. For Denver's co-response program, which pairs an officer and clinician, Denver covers around 50% of costs with Medicaid. The program has benefited from a Medicaid "carve out" because it diverts clients from more expensive medical interventions.<sup>5</sup> For their STAR program – a non-police alternative response program that deploys a mental health clinician and a paramedic to eligible calls – 96% of costs were billable to Medicaid. For the other cities GFOA spoke with, only Rockford enjoyed any Medicaid reimbursement, and this was only for their Fire Department's role in responding to people in crisis.

Although Medicaid can be an important source of alternative response funding, there are a couple of cautions:

- Making Medicaid work requires program partners that are able to do the billing. Colorado has expanded Medicaid coverage and has certain Medicaid policies in place which may play a role in Denver's ability to get Medicaid coverage for these programs. And the non-profit that Denver partners with to provide clinicians has the institutional capability to bill Medicaid. But if local governments don't have the administrative capacity to go through the steps necessary to get Medicaid reimbursement, they might miss an opportunity for support through Medicaid.
- If the geographic area targeted for alternative response has a higher proportion of people who use Medicaid, it is possible that the percent reimbursement will be higher compared to if the alternative response programs covers other parts of the city.

As of this writing, the federal government is encouraging greater use of Medicaid to support mobile crisis intervention units staffed with mental health professionals. The American Rescue Plan included \$1.2 billion to support this service.

---

4 See for example, FACT SHEET: President Biden Issues Call for State and Local Leaders to Dedicate More American Rescue Plan Funding to Make Our Communities Safer – And Deploy These Dollars Quickly. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/13/fact-sheet-president-biden-issues-call-for-state-and-local-leaders-to-dedicate-more-american-rescue-plan-funding-to-make-our-communities-safer-and-deploy-these-dollars-quickly/>

5 A carve-out is a Medicaid managed care financing model where some portion of Medicaid benefits are separately managed and/or financed.

# What lessons can be drawn?

The interviews produced a number of potential lessons for local government to draw upon.

***Be mindful of the long-term financial sustainability.***

Temporary funds like APRA and other similarly designed, one-time funding opportunities can be quite helpful for getting a program started, but there must be a long-term funding strategy.

***Consider a dedicated tax.*** A number of the local governments GFOA spoke with have a dedicated local tax. The GFOA report [New Taxes that Work](#) describes the features of successful new taxes.

***Consider the design of the program itself.*** For example, Fairfax County initially considered a co-response model that included EMTs, clinicians, fire safety, and police. This multidisciplinary model seemed like it would prove effective, but the County ultimately opted for a model that included just clinicians and police in the interest of containing long-term program costs.

***Consider contracting.*** There may be advantages for contracting out for significant parts of the alternative response model, in order to make it simpler to adjust the level of service up or down as the program is getting off the ground. By contracting, staffing costs might remain variable costs as opposed to fixed costs. For example, Eugene has a five-year contract with its provider and can change scope, service hours, and other operational aspects at the end of a term. Most recently, the City negotiated an additional five hours of daily coverage to provide a total of 36-coverage hours available each day (e.g., during high demand periods there are two teams available, instead of just one).

***Consider telehealth tools, authorized by Medicaid, to provide care in behavioral health emergencies.***

States like South Carolina, South Dakota, Montana and Oklahoma supply the police or emergency medical technicians with tablets that allow them to connect patients directly with behavioral health clinicians.

***Consider Medicaid billing capability.*** A local government's administrative capacity may be a barrier to taking advantage of opportunities to secure reimbursement from Medicaid. Denver partnered with a non-profit with Medicaid billing capacity to provide clinician staffing for its alternative response. Federal policy to encourage alternative response could result in expanded opportunities for Medicaid reimbursement. In fact, ARPA has established new funding through Medicaid for community mobile crisis intervention services. See Appendix 1 for more information on this and other opportunities for federal support.

***Consider grant opportunities.*** Among the cities GFOA spoke with, the City of Rochester appears to be the one making the most use of grants to fund its alternative response program. The program is funded in part by external grants from the federal Department of Justice, New York Office of Victims Services and Department of Criminal Justice Services, and Monroe County (with local taxes covering the rest). The City has been able to revamp long-standing grant budgets and secure modest increases in grant support to create new positions for alternative response.

As national and state governments look to encourage alternative response, there may be more grant funding available. That said, it is important to distinguish between one-time grants and on-going grants. Some of the local governments GFOA spoke with were accessing on-going grant programs that provide the prospect of longer-term funding (e.g., Rochester, Rockford). There might also be grant opportunities that provide a one-time infusion of money. These would be appropriate for startup costs like vehicles and equipment, but not appropriate for on-going costs like staff salaries unless there is a plan in place to cover those costs with other sources of funds in subsequent years.

There may be a variety of Federal grant opportunities in the next few years, as summarized in [Appendix 1](#).

**Consider regional approaches.** The City of Eugene’s CAHOOTS program also has a contract with the neighboring City of Springfield. Each city funds its own participation in CAHOOTS and handles calls for service on its own. However, the CAHOOTS program relies on the same local non-profit (White Bird Clinic) to provide the core service. The City of Rockford is working towards an agreement to include a neighboring city in its alternative response strategy.

The advantage of a regional approach is that it makes it easier to access economies of scale. That said, there may be limits on how much can be achieved with this strategy given that the greatest cost will be labor – having enough workers to respond to calls. But regional approaches to 911 systems have benefited many governments because of capital costs and the specialized labor required.



