

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2704 (Addis) – As Amended April 27, 2026

Policy Committee:	Health	Vote:	16 - 0
	Education		9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill creates a program to provide intensive technical assistance and support to help small and rural school districts and programs serving children under five years of age and transition-age youth (16 to 25 years) participate in the Children and Youth Behavioral Health Initiative (CYBHI) Fee Schedule. The bill requires the California Department of Education (CDE) to select and provide funding to a local education agency (LEA) that will serve as the lead entity to administer the program. The bill requires the lead entity, in coordination with CDE and the Department of Health Care Services (DHCS), to select up to 25 entities to participate in the program, subject to an appropriation.

FISCAL EFFECT:

- 1) Proposition 98 General Fund cost pressures of \$50 million to fund the program. In its letter of support, Monterey County Office of Education, the sponsor of this bill, urges Members of the Assembly Committee on Health to appropriate \$50 million one-time to support the program.
- 2) Costs to CDE would likely be less than the equivalent of a single staff position in the first year of implementation, mainly to select an LEA to serve as the lead entity. For its part, CDE estimates costs of about \$203,500 to \$273,500 in 2026-27 and \$198,000 to \$268,000 in 2027-28 for one or two staff positions, operating expenses and equipment, and Statewide Cost Allocation Plan (General Fund).
- 3) Minor and absorbable costs to DHCS to provide consultation.

The Legislative Analyst’s Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

- 1) **Purpose.** This bill is sponsored by the Monterey County Office of Education (COE). According to the author:

For too many families on the Central Coast and in rural communities, mental health care is limited or simply out of reach. [This bill] helps close that gap by giving schools a real pathway to deliver and sustain early behavioral health services.

- 2) **Background. *CYBHI*.** The CYBHI is a multi-pronged initiative that began in 2021 and aims to promote the mental health and wellness of California’s children and teens. The initiative works across four strategic areas (workforce training and capacity, behavioral health ecosystem infrastructure, coverage, and public awareness) and contains numerous individual programs and initiatives. Most CYBHI initiatives are time-limited and focused on building infrastructure and capacity of the behavioral health system for children.

CYBHI Fee Schedule. Of the various components of CYBHI, the CYBHI Fee Schedule has the potential to have the most significant long-term impact on the provision of services because it is the only initiative designed to create an ongoing funding source to support the delivery of behavioral health in schools and in school-linked settings. State law requires DHCS to develop and maintain a multi-payer, school-linked statewide fee schedule for mental health or substance use disorder services provided to a student 25 years of age or younger at or near a school site. State law also requires Medi-Cal managed care and commercial plans and insurers to reimburse for such school site services designated by DHCS, at or above the fee schedule rate, regardless of whether the school site is a network provider, and without subjecting services to prior authorization or cost-sharing. This means plans are prohibited from applying any copayment, coinsurance, or deductible that would normally apply to the service rendered.

The CYBHI Fee Schedule requires payers to reimburse LEAs or institutions of higher education (IHEs) for a set of services provided at a school site, as defined. The services are provided by or arranged by the LEAs. Specifically, LEAs can provide the services “in-house” with their own staff or arrange for the provision of services through community-based providers that provide services at the school or otherwise partner with the LEA to provide services to students. In this context, “school site” means a facility or location used for public kindergarten, elementary, secondary, or postsecondary purposes. It also includes a community-based facility or location, if the school or school district provides or arranges for the provision of services to its students at that location, including off-campus clinics, mobile counseling services, and similar locations.

Implementation of the Fee Schedule. DHCS and participating LEAs and IHEs have made significant, if slow, progress in implementing the Fee Schedule. The limited number of LEAs that have successfully submitted claims are disproportionately larger, better-resourced districts and COEs, which tend to have the staffing, administrative expertise, and economies of scale required to implement medical billing infrastructure. As one-time funds expire, the bill sponsor, Monterey COE, notes that under-resourced entities, including small and rural LEAs are at risk of being left without an ongoing funding source for behavioral health services.

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