Senate Budget and Fiscal Review

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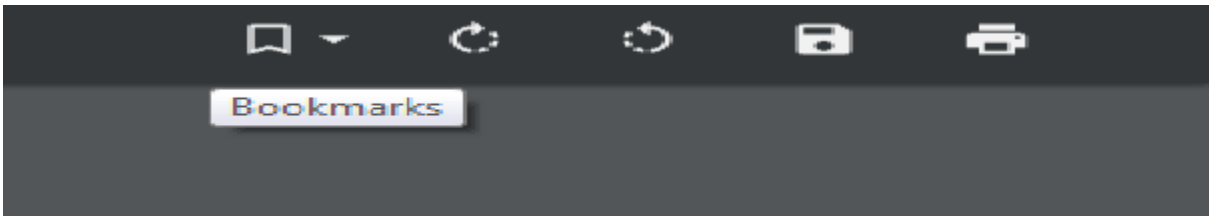

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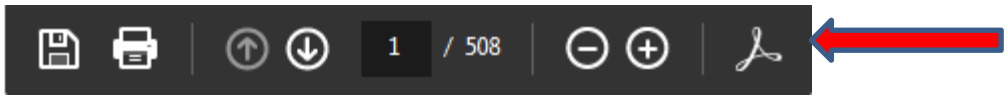

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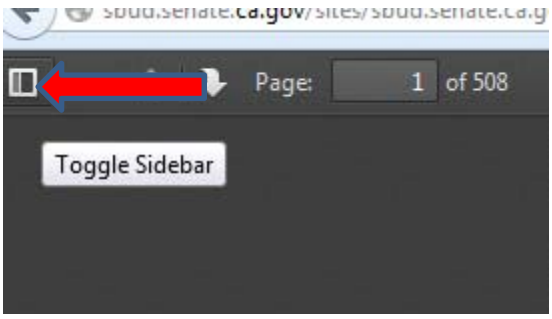

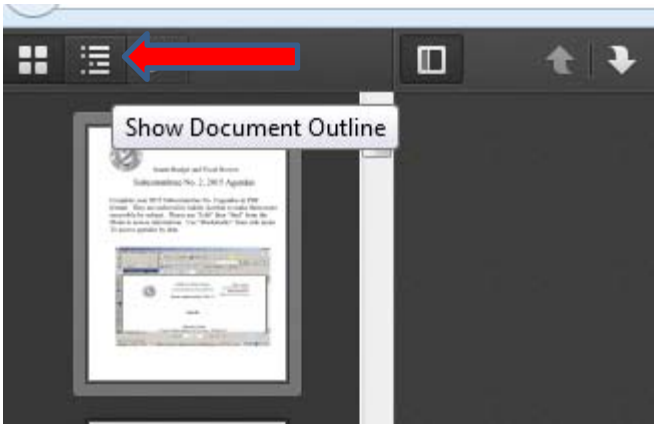

Senate Budget and Fiscal Review—Nancy Skinner, Chair

JOINT HEARING Agenda

Senate Budget Subcommittee No. 3 on Health and Human Services and No. 5 on Corrections, Public Safety, Judiciary, Labor and Transportation

Menjivar and Durazo, Chairs

Wednesday, February 14, 2024

9:30 a.m.

1021 O Street - Room 2100

Consultants: Elizabeth Schmitt and Nora Brackbill

Oversight of Juvenile Justice Realignment

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Panelists

Panel 1: Status of Juvenile Justice Realignment

- Orlando Sanchez Zavala, Fiscal and Policy Analyst, Legislative Analyst's Office
- Katherine Lucero, Director, Office of Youth and Community Restoration
- Karen Pank, Executive Director, Chief Probation Officers of California
- Jasmine Dellafosse, Youth Advocate
- Brooke Harris, Executive Director, Pacific Juvenile Defender Center

Panel 2: Realignment and Juvenile Justice in LA

Subpanel A

- Kathleen Howard, Executive Director, Board of State and Community Corrections
- Jonathan Byrd, Vice President, AFSCME Local 685
- Milinda Kakani, Director of Youth Justice, Children's Defense Fund California

Subpanel B

- Tony Brown, student, Cal Poly Pomona
- Magic McKay, student, UC Berkeley
- Miguel Espinoza, Supervising Judge, Juvenile Justice Division, Los Angeles Superior Court
- Rhyzan Croomes, Supervising Staff Attorney, Loyola Law School Juvenile Justice Clinic
- Scott Budnick, Founder, Anti-Recidivism Coalition

Panel 3: Policy Implications

- Alisa Hartz, Ombudsperson, Office of Youth and Community Restoration
- Vanessa Fuchs, Sonoma County Chief Probation Officer
- Analisa Zamora, Policy Director, Young Women's Freedom Center

*Department of Finance will be available for questions.

Background. Youths accused of a crime that occurred before they turn 18 years of age start in juvenile courts. If the court determines the youth committed the crime, the court then determines where to place the youth based on statute, input from defense and prosecution, and factors such as the youth's offense and criminal history. Youths are typically allowed to remain with their families with some level of supervision from county probation officers. However, some youths— typically those who have committed more serious crimes—are housed in county juvenile facilities, such as juvenile halls or camps. As of September 2023, there were 2,878 youth housed in juvenile facilities statewide, compared to 2,146 in December 2022. In addition, if a transfer request is filed, the court may choose to transfer serious youth cases to adult court in certain circumstances.

DJJ Closure and Realignment. The 2020-21 Budget Act included a plan to permanently close the Division of Juvenile Justice (DJJ) at the California Department of Corrections and Rehabilitation (CDCR). While most youth were already housed or supervised locally, prior to July 1, 2021, counties could choose to send youths who had committed violent, serious, or sex offenses to state facilities operated by DJJ. There were typically about 650 youth statewide in DJJ facilities. DJJ permanently closed on June 30, 2023, and the last youths were transferred to counties, completing the realignment of the juvenile justice system to the county level. The plans for DJJ closure and realignment are outlined in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020 and SB 92 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2021.

Youth housed in DJJ facilities largely did not have access to the types of rehabilitative programming and community connections that are necessary for a humane and successful juvenile justice system.[1] First, the location of DJJ facilities meant that many youths were moved far from home, making it difficult to maintain ties with their families and communities. Second, DJJ facilities were notorious for violence and had high recidivism rates.[2] Overall, the facilities operated more like adult prisons than as spaces where young people could develop and prepare for adult life outside the criminal justice system. In addition, due to decades of declining juvenile crime rates, both DJJ and county juvenile facilities have been operating under capacity. Realignment is intended to move juvenile justice in California toward a rehabilitative, trauma-informed, and developmentally appropriate system.

As a result of realignment, counties are responsible for caring for youth with more serious needs and who have committed more serious offenses. The realignment plan outlined a process for counties to establish Secure Youth Treatment Facilities (SYTFs) for high-level offenders who would have previously been housed at DJJ. To assist counties with their increased responsibility, the state provides block grant funding to counties for each realigned youth, and one-time funding for planning and juvenile facility infrastructure needs, which is described in detail in the funding section below.

[1] http://www.cjcj.org/uploads/cjcj/documents/unmet_promises_continued_violence_and_neglect_in_california_division_of_juvenile_justice.pdf, https://jjie.org/2020/05/19/californias-closure-of-djj-is-victory-with-significant-challenges/

[2] https://www.latimes.com/california/story/2021-02-15/california-youth-prisons-closing-criminal-justice-reform, https://www.mercurynews.com/2007/02/27/report-finds-cya-prison-still-fails-inmates/, https://www.latimes.com/archives/la-xpm-1999-dec-24-mn-47028-story.html

OFFICE OF YOUTH AND COMMUNITY RESTORATION (OYCR)

OYCR. To support counties in this transition, the realignment plan included the creation of the OYCR to provide statewide assistance, coordination, and oversight. OYCR is under the Health and Human Services Agency (HHS) rather than under CDCR or the Board of State and Community Corrections (BSCC), reflecting the intended shift away from corrections and toward services and treatment. The mission of the Office, as defined in statute, is "[T]o promote trauma responsive, culturally informed services for youth involved in the juvenile justice system that support the youths' successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities."

Mandates of the OYCR include:

- Identify policy recommendations for improved outcomes for court-involved youth.
- Identify and disseminate best practices to inform rehabilitative and restorative youth practices.
- Provide technical assistance to develop and expand local youth diversion opportunities.
- Evaluate the efficacy of local programs being utilized for realigned youth and report to the Governor and Legislature by July 1, 2025.
- Develop a report on youth outcomes in the juvenile justice system based on the updated JCPSS (Department of Justice) System.
- Provide an ombudsperson to investigate complaints and resolve where possible and report regularly to the Legislature.
- Concur with the BSCC on any juvenile grants.
- Assume administration of juvenile grants no later than January 1, 2025.
- Concur with the BSCC on new standards for secure youth treatment facilities.

Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.

FUNDING

Realignment Funding. The 2020-21 budget included $9.6 million General Fund for planning and facilities, and the gradual implementation of block grants to counties at a rate of $225,000 per realigned youth per year. This funding is known as the Juvenile Justice Realignment Block Grant (JJRBG) and amounts to $209 million statewide in 2024-25, based on a projected daily population of 928 realigned youth. This funding is scheduled to transition to OYCR by the end of this calendar year. Pursuant to Welfare and Institutions Code 1991, the Governor and Legislature must work with stakeholders to establish a distribution methodology for this funding that improves outcomes

for this population by January 10, 2024. The Governor's proposed 2024-25 budget would extend the deadline for establishing a distribution methodology for this funding to January 10, 2025.

The 2022-23 budget included $100 million one-time General Fund for counties to invest in their juvenile facilities, in anticipation of the closure of DJJ. The funding could be used to support modifications, renovations, repairs, and maintenance for existing county-operated juvenile facilities, with a focus on providing therapeutic, youth-centered, trauma-informed, and developmentally appropriate rehabilitative programming for youth. This was not a competitive grant, and every county received some funding.

The state has also provided resources to counties for juvenile justice several times throughout the years, corresponding with changes in alignment and totaling over $200 million annually. These include:

- *Youth Offender Block Grants*. This provided counties with $117,000 per ward for lower-level offenders that were realigned to the county level in 2007, per SB 81 (Committee on Budget and Fiscal Review), Chapter 175, Statutes of 2007.

- *Local Youthful Offender Rehabilitative Facility Construction.* SB 81 also provided counties with lease-revenue funding to construct or renovate juvenile facilities. A total of $300 million was allocated.

- *Juvenile Reentry Grants*. The state provided funding to the counties after juvenile parolees released from DJJ were realigned to the county level as part of the 2010-11 budget.

OYCR Funding. The 2021 Budget Act included $27.6 million in 2021-22 and $7 million ongoing for OYCR. The 2021-22 funding included $20 million for technical assistance, disseminating best practices, and grants. The 2022 Budget Act included an additional $10 million ongoing for the Office, and language detailing the duties and responsibilities of the Ombudsperson within OYCR. The 2023 Budget Act continued the $10 million appropriation for OYCR for technical assistance, disseminating best practices, and issuing grants to counties and probation departments for the purposes of transforming the juvenile justice system to improve outcomes for justice involved youth.

Juvenile Justice Data Collection. In addition to the $10 million budget for OYCR, the 2023 Budget Act included $3.54 million to facilitate the collection of specific juvenile justice data related to realignment. These 2023 Budget Act made these funds available to county probation departments to provide OYCR with the following data for the 2021-22 and 2022-23 fiscal years, disaggregated by gender, age, and race or ethnicity:

1. Number of youth and their commitment offense or offenses, if known, who are under the county's supervision that are committed to a secure youth treatment facility, including youth committed to secure youth treatment facilities in another county.

2. The number of individual youth in the county who were adjudicated for an offense under subdivision (b) of Section 707 of the Welfare and Institutions Code or Section 290.008 of the Penal Code.

3. Number of youth, including their commitment offense or offenses, if known, transferred from a secure youth treatment facility to a less restrictive placement.

4. Number of youth for whom a hearing to transfer jurisdiction to an adult criminal court was held, and number of youth whose jurisdiction was transferred to adult criminal court.

The 2023 Budget Act requires the data listed above to be submitted to OYCR by December 30, 2023 for the 2021-22 and 2022-23 fiscal years, and by December 30, 2024 for the 2023-24 fiscal year. OYCR is currently in the final stages of compiling this data, and a summary of the available data is below.

OYCR

AB 102 Data Updates

	FY 2021-2022	FY 2022-2023
A. Number of youth committed to SYTF	237	427
B1. Number of youth adjudicated of a 707(b) offense	1,459	1,730
B2. Number of youth adjudicated of a PC 290.008 offense (not counted in B1)	98	74
C. Number of youth transferred from SYTF to LRP	*	100
D1. Number of youth for whom a fitness hearing was ordered	197	221
D2a. Number of youth transferred to adult criminal court	43	33
D2b. Number of youth NOT transferred to adult criminal court	80	94

Note: The data displayed reflect a statewide count.
Note: For FY 21-22, nine counties had no youth to report. (n=48)
For FY 22-23, eight counties had no youth to report. (n=49)
One county was excluded from analysis due to data accessibility challenges.
* Data not displayed for privacy – less than 11 youth

COUNTY REALIGNMENT PLANS

County Realignment Plans. To be eligible for JJRBG funds, each county is required to convene a subcommittee of the multiagency juvenile justice coordinating council chaired by the chief probation officer and including representatives from the district attorney, public defender, department of social services, department of mental health, the county office of education or school district, and the court, along with at least three community members. The subcommittees develop a plan for juvenile justice realignment within the county. These plans must include information on how counties will provide trauma-informed, culturally responsive, and developmentally appropriate programs and a description of data collection and outcome measures, among other

topics detailed in statute (Welfare and Institutions Code Section 1995(c)). Counties were required to submit their initial plans by January 1, 2022, and must update their plan annually. OYCR is required to review these plans, return plans to counties for revision as necessary, and make the plans available on its website. Note that AB 505 (Ting), Chapter 528, Statutes of 2023, described below, made some changes to the development of these plans.

According to OYCR's 2022 County Plan Summary Report, requests for revision primarily fell within the following categories: expanded data, facility improvements, culturally responsive programming, family engagement and reentry, housing approach for secure treatment, and program effectiveness. Thirty-three counties are adapting existing facilities to serve as a SYTF, while other counties that have had historically low referrals to DJJ are entering into regional agreements. The report notes that some counties have indicated that they are not able to care for specific sub populations, such as youth who need specialized treatment related to mental health or sex abuse offenses. Twelve counties identified a step-down placement for youth in their plan, and other counties stated that they plan to establish relationships with community service providers to develop step down plans. OYCR's report notes the importance of step-down placements in supporting youth to successfully reenter society and not stay in maximum security facilities for extended periods of time.

OYCR's 2022 County Plan Summary Report also identified priority areas for OYCR to work with counties to support best practices and provide technical assistance. These areas include: addressing the unique challenges for small, rural communities; developing methods for measuring effectiveness and outcomes relating to court-involved youth; retaining youth in the juvenile system and not in the adult prison system; and developing therapeutic facilities and building capacity to develop step-down options from secure facilities to less restrictive environments with greater access to community-based activities.

Recent Changes to OYCR Ombudsperson and County Realignment Plans. AB 505 (Ting), Chapter 528, Statutes of 2023, made several changes to statute governing the authority of the OYCR Ombudsperson to access juvenile facilities and records, and the development of county realignment plans, including:

- Authorizes the OYCR Ombudsperson to access juvenile detention facilities at any time without prior notice and to access juvenile facility records at all times.

- Authorizes the OYCR Ombudsperson to interview sworn probation personnel in accordance with applicable federal and state law, local probation department policies, and collective bargaining agreements.

- Provides that the OYCR Ombudsperson may recommend changes to improve services or to correct systemic issues.

- Requires the OYCR Ombudsperson advise all complainants that retaliation is not permitted and constitutes the basis for filing a subsequent complaint.

- Requires the OYCR Ombudsperson staff conduct a site visit to every juvenile facility and premises within the control of a county or local agency, or a contractor with a county or local agency, at least once per year.

- Makes various changes to the JJRBG county planning process, including: requires plans to be updated annually; requires the subcommittee to convene at least twice per year; allows the subcommittee to have a co-chair in addition to the probation chief; requires plans to be approved by a majority of the subcommittee; adds a new plan element regarding progress on implementation and development of innovative solutions to programs and services for youth; and requires the subcommittee to include at least three community members who have experience and expertise with community-based youth services and the juvenile justice system.

OYCR UPDATE

General OYCR Update. The OYCR Director was hired in January of 2022, and began hiring staff in spring 2022. As of August 2023, OYCR has authority for 28 full-time positions, with 17 positions filled across research and data, health policy, systems change and equity, and the Office of the Ombudsperson. Leading up to the closure of DJJ on June 30, 2023, OYCR provided technical assistance to courts and counties to support the return of DJJ youth with various service needs.

Some of OYCR's current projects include: a collaboration with the Vera Institute of Justice to support four counties in reducing and ending the incarceration of girls and gender expansive youth; releasing grants for less restrictive program innovation, community-based organization capacity building, intensive transitional services for youth with acute mental/behavioral health needs; trainings in coordination with California Tribal Families Coalition; family engagement services for youth at Pine Grove, and disseminating the Youth Bill of Rights.

OYCR Ombudsperson Update. The OYCR Ombudsperson line opened in August 2022. As of August 2023, the OYCR Ombudsperson had a total of 171 cases, 109 of which were in Los Angeles County. At that point in time, 53 percent of cases were closed, 46 percent were open, and one percent of cases were referred out. The most frequent issue characterizing investigations was conditions of confinement, followed by staffing, immediate safety, communication access, programming, physical health care, education, mental health care, and other issues.

PROPOSED CHANGES IN THE GOVERNOR'S BUDGET

Governor's Budget. The Governor's proposed 2024-25 budget includes the following proposals:

- **Budget Change Proposal: Transfer of Juvenile Justice Programs to OYCR.** The Board of State and Community Corrections (BSCC) requests to shift the federal Title II Grant Program administrations to OYCR effective July 1, 2024. Grant administration functions include supporting the mandated state advisory group required by the Title II Grant Program known as the State Advisory Committee on Juvenile Justice and Delinquency Prevention (SACJJDP); as well as compliance monitoring functions under the Juvenile

Justice and Delinquency Prevention Act (JJDPA). This proposal is specific to the above-mentioned federal grant; however, pursuant to Welfare and Institutions Code 2200, all juvenile justice grants, including the JJRBG and other state grant programs, will move under OYCR by January 2025.

- **Trailer Bill Language Proposal: Delay of Juvenile Justice Realignment Block Grant (JJRBG).** Welfare and Institutions Code 1991 requires the Governor and Legislature to work with stakeholders to establish a distribution methodology for the JJRBG that improves outcomes for realigned youth. The JJRBG provides $209 million for counties to provide appropriate rehabilitative and supervision services for realigned youth (those youth who would have been committed to DJJ prior to DJJ closure.) The Governor proposes to delay the development of a new distribution methodology from January 2024 to January 2025.

JUVENILE FACILITIES IN LOS ANGELES

Ongoing Issues in LA County Juvenile Facilities. Los Angeles County is the largest juvenile justice system in the state, with an average daily population of over 500 youth, roughly twice the number of youth in the next biggest county[3]. Los Angeles has had numerous issues in its juvenile facilities, many of which predate the closure of DJJ and the subsequent return of those youth to the county. These include staffing challenges[4], violence and staff misconduct[5], sexual abuse[6], and substance use (including the fatal overdose of a youth[7]), among other issues. These issues have resulted in increased scrutiny by the county and state[8]. The BSCC, which is responsible for inspecting juvenile facilities, found both Barry J. Nidorf Juvenile Hall and Central Juvenile Hall unsuitable in September 2021[9], but BSCC gave numerous opportunities for the county to bring the facilities into compliance. In March 2022, LA County moved all the youth from Central to Barry J. Nidorf ahead of a scheduled BSCC inspection[10]. BSCC ultimately ordered the two halls closed in May 2023[11]. In response, LA County reopened Los Padrinos Juvenile Hall, although similar issues have followed the move[12]. A description of the LA County facilities is below.

LA County Juvenile Halls, SYTFs, and Camps. Juvenile facilities in Los Angeles County consist of the following institutions:

- **Barry J. Nidorf SYTF**. Barry J. Nidorf was formerly one of Los Angeles's main juvenile halls for temporarily housing youth prior to their court dates, known as pre-disposition.

[3] https://www.bscc.ca.gov/wp-content/uploads/JDPS-1Q2002-3Q2023_Trends_12.21.23.pdf
[4] https://www.latimes.com/local/countygovernment/la-me-juvenile-halls-chaos-pepper-spray-detention-probation-20190519-story.html ; https://www.latimes.com/california/story/2022-11-28/la-county-juvenile-halls-inside-chaos
[5] https://www.latimes.com/california/story/2024-01-11/eight-probation-officers-placed-on-leave-after-incident-at-los-padrinos; https://www.latimes.com/california/story/2023-02-11/video-of-l-a-county-probation-officer-bending-teen-in-half-sparks-outrage-claims-of-child-abuse ; https://www.latimes.com/local/lanow/la-me-juvenile-hall-officer-pepper-spray-abuse-charges-20190406-story.html
[6] https://www.latimes.com/california/story/2023-12-28/district-attorney-reviewing-cases-against-la-county-probation-employees-accused-of-sex-abuse
[7] https://www.latimes.com/california/story/2023-10-13/fatal-overdose-la-juvenile-hall-mother-grieves-drugs-remain-threat
[8] https://oag.ca.gov/news/press-releases/attorney-general-bonta-brings-enforcement-action-against-los-angeles-county-due ; https://poc.lacounty.gov/newsroom
[9] https://www.latimes.com/california/story/2021-09-18/state-finds-l-a-county-juvenile-halls-unsuitable-for-the-confinement-of-youth
[10] https://www.latimes.com/california/story/2022-03-16/la-county-empties-central-juvenile-hall-ahead-of-state-inspection
[11] https://www.bscc.ca.gov/news/bscc-finds-la-juvenile-halls-unsuitable/ ; https://www.latimes.com/california/story/2023-05-23/la-county-juvenile-halls-unsuitable
[12] https://www.latimes.com/california/story/2023-08-27/los-padrinos-chaotic-first-month-los-angeles-juvenile-hall

Upon the implementation of realignment, Barry J. Nidorf also became the location of LA County's SYTF for realigned youth. On May 23, 2023, the BSCC found Barry J. Nidorf Juvenile Hall to be unsuitable for the confinement of minors pursuant to Welfare and Institutions Code 209. However, the SYTF unit has remained open. As of September 2023, the average daily population at Barry J. Nidorf SYTF was 52 youth.

- **Central Juvenile Hall**. Central Juvenile Hall was also formerly one of Los Angeles's main juvenile halls for pre-disposition youth. In March 2022, according to the LA County Office of Inspector General, "the Los Angeles County Probation Department conducted a hasty transfer of all of the approximately 140 youths housed at Central Juvenile Hall to the Barry J. Nidorf Juvenile Hall. The move was precipitated by Probation Department concerns over failing to meet the BSCC suitability requirements by a hearing date on whether required improvements had been completed."[13] A BSCC inspection was scheduled a few days after the transfer of the youth took place. BSCC found Central Juvenile Hall to be unsuitable for the confinement of minors pursuant to Welfare and Institutions Code 209, along with Barry J. Nidorf Juvenile Hall. There are currently no youth housed at Central Juvenile Hall.

- **Campus Kilpatrick SYTF.** Camp Kilpatrick is a juvenile camp that opened in July 2017. According to LA County Probation, Campus Kilpatrick is an example of the new "L.A. Model," which consists of "a small-group treatment model that is youth-centered and embodies a culture of care rather than a culture of control."[14] Campus Kilpatrick serves as a second SYTF in Los Angeles. As of September 2023, the average daily population at Campus Kilpatrick was 17 youth.

- **Los Padrinos Juvenile Hall.** Los Padrinos Juvenile Hall serves as Los Angeles County's facility for housing all pre-disposition youth. It was re-opened in the wake of the BSCC-ordered closure of Central Juvenile Hall and Barry J. Nidorf Juvenile Hall. As of September 2023, the average daily population at Los Padrinos Juvenile Hall was 289 youth.

- **Other juvenile facilities and camps.** Los Angeles County's juvenile facilities also include Dorothy Kirby, which houses approximately 50 youth, Camp Afflerbaugh, which houses approximately 23 youth, Camp Joseph Scott, which houses approximately 9 youth, Camp Paige, which houses approximately 23 youth, and Camp Rockey, which houses approximately 34 youth.

ISSUES FOR CONSIDERATION

- **Capacity of Counties to Deliver a Wide Range of Programming for a Small Number of Youth.** The needs of justice-involved youth are diverse, with individuals at different educational levels, desiring different vocational programs, and requiring different levels of security. For example, a county may only have one or a few girls in their custody, and may not be able to offer any gender-specific programming for that population. They may only have one secure track youth at the college level, requiring nearly individual teaching. It will be a challenge for the state to balance the desire to consolidate programs across

[13] Transfer of Youth from Central Juvenile Hall to Barry J. Nidorf Juvenile Hall
[14] Campus Kilpatrick and the L.A. Model – Probation (lacounty.gov)

counties with the original goals of realignment, namely bringing youth closer to home. The state should consider how to support the counties in meeting youth's individual needs.

- **Development of Less Restrictive Placements.** While the state's vision for realignment encompasses a trauma-informed, evidence-based, culturally responsive system that promotes healthy adolescent development, youth in the state's 36 SYTFs are largely confined to juvenile halls, which are prison-like physical environments. This presents a serious barrier to achieving transformational change in the juvenile justice system. The state should consider how to support the development of less restrictive placements for youth that serve as alternatives to confinement and focus on strengthening youth and families.

- **Use of Restrictive Placements.** As counties develop local programs, the state should monitor how county SYTF populations compare to the historical DJJ population, to avoid more youth being committed to highly restrictive settings than were prior to DJJ closure. Pursuant to the 2023 Budget Act, the Legislature is anticipating data from OYCR on commitments to SYTFs in each county over the last two years.

- **Adult Charges of Youth in Custody.** A long-term goal of the Legislature has been the retention of youth within the jurisdiction and rehabilitative foundation of the juvenile justice system. However, there is concern about situations where new, adult criminal charges are being filed against youth in custody who are over 18. In Los Angeles County alone, data requested by the Probation Oversight Commission shows that in the six months between July 2023 and January 2024, there were 8 new criminal case filings in adult court (out of 39 new criminal case filings overall), including 5 at Los Padrinos and 3 at Barry J. Nidorf SYTF. See Appendix A for more detail on criminal case filings in LA Juvenile facilities. The culture and physical environments in juvenile halls can contribute to unrest or substance issues that can lead to new charges. The state should consider how to prevent situations that result in new, adult charges, both to prevent youth from being funneled into the adult system and to protect the safety and security of juvenile facilities and their officers.

- **JJRBG Methodology.** Existing law requires the Governor and the Legislature to work with stakeholders to establish a distribution methodology for the JJRBG that improves outcomes for the realigned youth population. The current interim formula established in Welfare and Institutions Code 1991 is a $209 million block grant based on each county's projected share of the realigned youth population. It does not contain a mechanism to measure progress toward improving youth outcomes. Regardless of whether the Legislature approves the Governor's proposed trailer bill language to delay the revised methodology for JJRBG, the state should consider how to meet the statutory mandate of developing a methodology that improves outcomes for youth.

APPENDIX A

COUNTY OF LOS ANGELES PROBATION DEPARTMENT

JUVENILE OPERATIONS
9150 EAST IMPERIAL HIGHWAY – DOWNEY, CALIFORNIA 90242
(562) 940-2513

GUILLERMO VIERA ROSA
Chief Probation Officer

February 6, 2024

TO: Wendelyn Julien, Executive Director
Los Angeles County Probation Oversight Commission

FROM: Kimberly Epps
Chief Deputy

SUBJECT: **CRIMINAL FILINGS AT BARRY J. NIDORF SECURE YOUTH TREATMENT FACILITY, LOS PADRINOS JUVENILE HALL, AND CAMPUS VERNON KILPATRICK**

On January 17, 2024, the Probation Oversight Committee (POC) requested information regarding new criminal filings at Barry J. Nidorf Secure Youth Treatment Facility (BJN-SYTF), Los Padrinos Juvenile Hall (LPJH), and Campus Vernon Kilpatrick (CVK) from July 2023 through January 2024. Information for criminal filings, court of jurisdiction, and types of cases filed is as follows:

BJN-SYTF

- 3 new criminal case filings since July 2023.
- Cases filed were ineligible for filing in juvenile court.
- 3 cases were filed in adult court.
- Three cases were filed for violation of Health & Safety 11350 (a), Possession of a Controlled Substance, a Misdemeanor.

LPJH

- 36 new criminal case filings since July 2023.
- 31 cases were filed in juvenile court.
- 5 cases were filed in adult court.
- Most cases were filed for violation of P.C. 245(a)(4), Assault by Means Likely to Produce Great Bodily Injury, a Felony or P.C. 243(b), Battery on a Peace Officer, a Misdemeanor.

CVK

There were no new criminal filings at CVK from July 2023 through January 2024.

There were thirty-nine (39) new criminal filings involving thirty-five males and one female during the past seven months (July 2023 - January 2024).

The highest number of new filings involved youth or young adults housed at LPJH and resulted from youth-on-youth assaults, known as “pack outs.” This type of assault involves multiple youth assaulting a single youth. There were thirteen assaults on detention officers by individual youth or by multiple youth attacking together.

Five (5) adult court filings resulted from allegations of P.C. 245(a)(4), Assault by Means Likely to Produce Great Bodily Injury, a Felony at LPJH. Three (3) filings resulted from allegations of Health & Safety 11350 (a), Possession of a Controlled Substance, a Misdemeanor at BJN-SYTF.

If you have any questions or need additional information, please do not hesitate to contact Kimberly Epps, Chief Deputy for Juvenile Operations, at (562) 922-0429 or email her at Kimberly.Epps@probation.lacounty.gov.

GVR:KE:ed

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

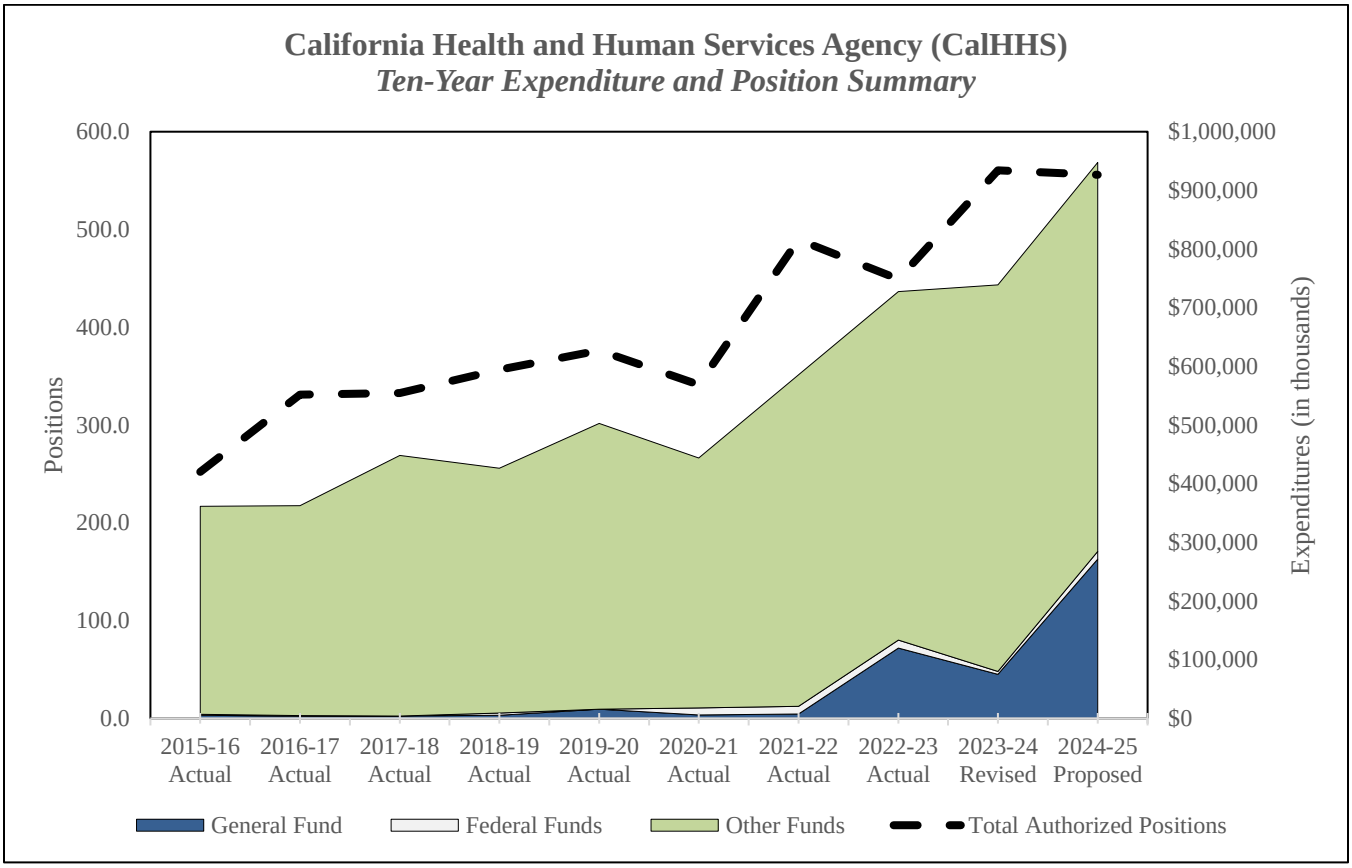
Thursday, February 29th, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 2200

Consultant: Elizabeth Schmitt and Scott Ogus

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

Issue 1: Overview



California Health and Human Services Agency- *Department Funding Summary*				
Fund Source	**2022-23 Actual**	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	$120,022	$109,610	$74,915	$271,548
Federal Funds	$13,446	$4,832	$4,832	$13,163
Other Funds	$593,733	$655,725	$659,308	$662,920
Total Department Funding:	**$727,201**	**$770,167**	**$739,055**	**$947,631**
Total Authorized Positions:	**449.2**	**566.5**	**560.5**	**556**
Other Funds Detail:				
Reimbursements (0995)	*$25,833*	*$4,894*	*$4,980*	*$4,994*
Office of Patient Advocate Trust Fund (3209)	*$1,703*	*$2,302*	*$2,967*	*$2,380*
Data Insights and Innovation Fund (3377)	*$0*	*$0*	*$0*	*$0*
988 Suicide and BH Crisis Svcs Fund (3414)	*$0*	*$5,500*	*$5,500*	*$0*
Central Service Cost Recovery Fund (9740)	*$2,950*	*$11,367*	*$11,407*	*$11,412*
California HHS Automation Fund (9745)	*$563,247*	*$623,592*	*$626,384*	*$644,134*

Background. The California Health and Human Services Agency (CalHHS) oversees twelve departments and five offices that provide a range of health care services, social services, mental health services, alcohol and drug services, income assistance, and public health services to Californians. CalHHS is administered by a cabinet-level Secretary of Health and Human Services, appointed by the Governor and confirmed by the California State Senate. According to CalHHS, its primary mission is to provide policy leadership and direction to the departments, boards, and programs it oversees, to reduce duplication and fragmentation among departments in policy development and implementation, to improve coordination among departments on common programs, to ensure programmatic integrity, and to advance the Governor's priorities on health and human services issues.

The departments and other entities within CalHHS include:

- Department of Aging (CDA)
- Department of Public Health (CDPH)
- Department of Child Support Services (DCSS)
- Department of Community Services and Development (CSD)
- Department of Developmental Services (DDS)
- Emergency Medical Services Authority (EMSA)
- Department of Health Care Services (DHCS)
- Department of Managed Health Care (DMHC)
- Department of State Hospitals (DSH)
- Department of Rehabilitation (DOR)
- Department of Social Services (DSS)
- Department of Health Care Access and Information (HCAI)

Within CalHHS there are several other entities administered by appointed commissions or governing boards, including:

- State Council on Developmental Disabilities
- Commission on Aging
- California Senior Legislature
- California Children and Families Commission
- California Health Benefit Exchange (Covered California)
- State Independent Living Council

CalHHS also oversees the allocation of funds to local governments under 1991 and 2011 State-Local Realignment.

Within the organizational structure of CalHHS are five offices and the Center for Data Insights and Innovation.

Office of the Secretary of Health and Human Services. The Office of the Secretary formulates and coordinates policy among the Agency's departments, and communicates with the Legislature, stakeholders, and the public about issues relating to the state's health and human services programs. The Office of the Secretary is composed of six distinct offices or units, including:

- Office of Legislative Affairs – The Office of Legislative Affairs provides coordination, oversight, and management of proposed legislation and ensures the Administration's legislative priorities are developed and implemented. The office provides policy guidance, instruction, and direction to health and human services departments and entities, and coordinates with the Governor's Office on legislative positions.
- Office of External Affairs – The Office of External Affairs manages ongoing public information and public affairs functions and provides guidance and direction to public information officers in health and human services departments and entities. The office serves as the official Agency spokesperson to respond to media inquiries, and coordinates with the Governor's Office communication staff on significant and sensitive media issues.
- Office of the Agency General Counsel – The Office of the Agency General Counsel provides legal counsel to the Office of the Secretary and senior Agency staff, coordinates with the Governor's Office of Legal Affairs and with the Chief Counsels in health and human services departments and entities.
- Office of Program and Fiscal Affairs – The Office of Program and Fiscal Affairs is responsible for formulating, analyzing, revising, and evaluating the program and fiscal impacts of major health and human services policies of the Administration. This work includes assessment of all policy, legislative, fiscal, and other issues that have implications among health and human services departments and agencies, as well as other state agencies.
- Administration Unit – The Administration Unit manages personnel, human resources, training, and internal budget issues.
- Office of the Agency Information Officer – The Office of the Agency Information Officer supports health and human services departments and entities to successfully deliver data and technology solutions through portfolio support, enterprise architecture, information security, agency governance, and horizontal integration activities.
- Office of Policy and Strategic Planning – The Office of Policy and Strategic Planning is responsible for driving measurable outcomes on CalHHS guiding principles and strategic priorities through system alignment and program integration across the agency's departments and offices. The Office works on a set of initiatives to advance equity, address the social determinants of health, and ensure a whole person approach.

Office of Technology and Solutions Integration (OTSI). The Office of Technology and Solutions Integration (OTSI) procures, manages, and delivers technology systems that support the delivery of health and human services to Californians. OTSI manages a portfolio of large, complex information technology (IT) projects, providing project management, oversight, procurement, and support services for these projects and coordinating communication, collaboration, and decision-making among project stakeholders and program sponsors. After the procurement phase, OTSI oversees the design, development, governance, and implementation of IT systems that support the administration of health and human services programs in California.

Office of the Surgeon General (OSG). The Office of the Surgeon General (OSG) was established in 2019 to advise the Governor, serve as a leading spokesperson on matters of public health, and drive solutions to the state's most pressing public health challenges. The OSG has established early childhood, health equity, adverse childhood experiences (ACEs), and toxic stress as key priorities. The Surgeon General has set a goal to reduce ACEs and toxic stress by half in one generation.

Office of Law Enforcement Support (OLES). The Office of Law Enforcement Support (OLES) was established in 2014 to provide monitoring and oversight of law enforcement personnel serving in the Office of Protective Services at DSH and DDS. OLES develops training protocols, policies, and procedures for law enforcement officers operating at DSH and DDS, and investigates incidents involving law enforcement personnel at state hospitals or developmental centers.

Office of Youth and Community Restoration (OYCR). The Office of Youth and Community Restoration (OYCR) supports the transition of justice involved youth being served in local communities by promoting a youth continuum of services that are trauma responsive and culturally informed, using public health approaches that support positive youth development, building the capacity of community-based approaches, and reducing the justice involvement of youth. The OYCR also assesses the efficacy of local programs, provides technical assistance and support, reviews local Juvenile Justice Realignment Grants, fulfills statutory obligations of an Ombudsperson, and develops policy recommendations.

Center for Data Insights and Innovation (CDII). The Center for Data Insights and Innovation (CDII) was established in 2021 to advance CalHHS data initiatives and help turn data into insights, knowledge, and action. The Center combines functions from the previous Office of Health Information Integrity (CalOHII), Committee for the Protection of Human Subjects (CPHS), Office of the Patient Advocate (OPA), and Office of Innovation. These functions include ensuring state department compliance with the Health Insurance Portability and Accountability Act (HIPAA) and other related state and federal privacy laws, health plan and medical group report cards evaluating health care quality and the patient experience, and reporting on health care consumer and patient assistance centers by state agencies (Department of Managed Health Care, Medi-Cal, Department of Insurance, and Covered California). CDII also administers the CalHHS Open Data Portal, which provides public access to non-confidential health and human services data.

Subcommittee Staff Comment—This is an informational item.

Questions. The subcommittee has requested CalHHS to respond to the following:

1. Please provide a brief overview of the CalHHS mission and its oversight of key departments and other entities.

Issue 2: Office of Youth and Community Restoration (OYCR) Overview

Background. Youths accused of a crime that occurred before they turn 18 years of age start in juvenile courts. If the court determines the youth committed the crime, the court then determines where to place the youth based on statute, input from defense and prosecution, and factors such as the youth's offense and criminal history. Youths are typically allowed to remain with their families with some level of supervision from county probation officers. However, some youths— typically those who have committed more serious crimes—are housed in county juvenile facilities, such as juvenile halls or camps. As of September 2023, there were 2,878 youth housed in juvenile facilities statewide, compared to 2,146 in December 2022. In addition, if a transfer request is filed, the court may choose to transfer serious youth cases to adult court in certain circumstances.

DJJ Closure and Realignment. The 2020-21 Budget Act included a plan to permanently close the Division of Juvenile Justice (DJJ) at the California Department of Corrections and Rehabilitation (CDCR). While most youth were already housed or supervised locally, prior to July 1, 2021, counties could choose to send youths who had committed violent, serious, or sex offenses to state facilities operated by DJJ. There were typically about 650 youth statewide in DJJ facilities. DJJ permanently closed on June 30, 2023, and the last youths were transferred to counties, completing the realignment of the juvenile justice system to the county level. The plans for DJJ closure and realignment are outlined in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020 and SB 92 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2021.

Youth housed in DJJ facilities largely did not have access to the types of rehabilitative programming and community connections that are necessary for a humane and successful juvenile justice system.[1] First, the location of DJJ facilities meant that many youths were moved far from home, making it difficult to maintain ties with their families and communities. Second, DJJ facilities were notorious for violence and had high recidivism rates.[2] Overall, the facilities operated more like adult prisons than as spaces where young people could develop and prepare for adult life outside the criminal justice system. In addition, due to decades of declining juvenile crime rates, both DJJ and county juvenile facilities have been operating under capacity. Realignment is intended to move juvenile justice in California toward a rehabilitative, trauma-informed, and developmentally appropriate system.

As a result of realignment, counties are responsible for caring for youth with more serious needs and who have committed more serious offenses. The realignment plan outlined a process for counties to establish Secure Youth Treatment Facilities (SYTFs) for high-level offenders who would have previously been housed at DJJ. To assist counties with their increased responsibility, the state provides block grant funding to counties for each realigned youth, and one-time funding for planning and juvenile facility infrastructure needs, which is described in detail in the funding section below.

OYCR. To support counties in this transition, the realignment plan included the creation of the OYCR to provide statewide assistance, coordination, and oversight. OYCR is under the Health and Human Services Agency (HHS) rather than under CDCR or the Board of State and Community Corrections (BSCC),

[1] http://www.cjcj.org/uploads/cjcj/documents/unmet_promises_continued_violence_and_neglect_in_california_division_of_juvenile_justice.pdf, https://jjie.org/2020/05/19/californias-closure-of-djj-is-victory-with-significant-challenges/

[2] https://www.latimes.com/california/story/2021-02-15/california-youth-prisons-closing-criminal-justice-reform, https://www.mercurynews.com/2007/02/27/report-finds-cya-prison-still-fails-inmates/, https://www.latimes.com/archives/la-xpm-1999-dec-24-mn-47028-story.html

reflecting the intended shift away from corrections and toward services and treatment. The mission of the Office, as defined in statute, is "[T]o promote trauma responsive, culturally informed services for youth involved in the juvenile justice system that support the youths' successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities."

Mandates of the OYCR include:

- Identify policy recommendations for improved outcomes for court-involved youth.
- Identify and disseminate best practices to inform rehabilitative and restorative youth practices.
- Provide technical assistance to develop and expand local youth diversion opportunities.
- Evaluate the efficacy of local programs being utilized for realigned youth and report to the Governor and Legislature by July 1, 2025.
- Develop a report on youth outcomes in the juvenile justice system based on the updated JCPSS (Department of Justice) System.
- Provide an ombudsperson to investigate complaints and resolve where possible and report regularly to the Legislature.
- Concur with the BSCC on any juvenile grants.
- Assume administration of juvenile grants no later than January 1, 2025.
- Concur with the BSCC on new standards for secure youth treatment facilities.

Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.

Realignment Funding. The 2020-21 budget included $9.6 million General Fund for planning and facilities, and the gradual implementation of block grants to counties at a rate of $225,000 per realigned youth per year. This funding is known as the Juvenile Justice Realignment Block Grant (JJRBG) and amounts to $209 million statewide in 2024-25, based on a projected daily population of 928 realigned youth. This funding is scheduled to transition to OYCR by the end of this calendar year. Pursuant to Welfare and Institutions Code 1991, the Governor and Legislature must work with stakeholders to establish a distribution methodology for this funding that improves outcomes for this population by January 10, 2024. The Governor's proposed 2024-25 budget would extend the deadline for establishing a distribution methodology for this funding to January 10, 2025.

The 2022-23 budget included $100 million one-time General Fund for counties to invest in their juvenile facilities, in anticipation of the closure of DJJ. The funding could be used to support modifications, renovations, repairs, and maintenance for existing county-operated juvenile facilities, with a focus on providing therapeutic, youth-centered, trauma-informed, and developmentally appropriate rehabilitative programming for youth. This was not a competitive grant, and every county received some funding.

The state has also provided resources to counties for juvenile justice several times throughout the years, corresponding with changes in alignment and totaling over $200 million annually. These include:

- *Youth Offender Block Grants*. This provided counties with $117,000 per ward for lower-level offenders that were realigned to the county level in 2007, per SB 81 (Committee on Budget and Fiscal Review), Chapter 175, Statutes of 2007.

- *Local Youthful Offender Rehabilitative Facility Construction.* SB 81 also provided counties with lease-revenue funding to construct or renovate juvenile facilities. A total of $300 million was allocated.

- *Juvenile Reentry Grants*. The state provided funding to the counties after juvenile parolees released from DJJ were realigned to the county level as part of the 2010-11 budget.

OYCR Funding. The 2021 Budget Act included $27.6 million in 2021-22 and $7 million ongoing for OYCR. The 2021-22 funding included $20 million for technical assistance, disseminating best practices, and grants. The 2022 Budget Act included an additional $10 million ongoing for the Office, and language detailing the duties and responsibilities of the Ombudsperson within OYCR. The 2023 Budget Act continued the $10 million appropriation for OYCR for technical assistance, disseminating best practices, and issuing grants to counties and probation departments for the purposes of transforming the juvenile justice system to improve outcomes for justice involved youth.

Juvenile Justice Data Collection. In addition to the $10 million budget for OYCR, the 2023 Budget Act included $3.54 million to facilitate the collection of specific juvenile justice data related to realignment. These 2023 Budget Act made these funds available to county probation departments to provide OYCR with the following data for the 2021-22 and 2022-23 fiscal years, disaggregated by gender, age, and race or ethnicity:

1. Number of youth and their commitment offense or offenses, if known, who are under the county's supervision that are committed to a secure youth treatment facility, including youth committed to secure youth treatment facilities in another county.

2. The number of individual youth in the county who were adjudicated for an offense under subdivision (b) of Section 707 of the Welfare and Institutions Code or Section 290.008 of the Penal Code.

3. Number of youth, including their commitment offense or offenses, if known, transferred from a secure youth treatment facility to a less restrictive placement.

4. Number of youth for whom a hearing to transfer jurisdiction to an adult criminal court was held, and number of youth whose jurisdiction was transferred to adult criminal court.

The 2023 Budget Act requires the data listed above to be submitted to OYCR by December 30, 2023 for the 2021-22 and 2022-23 fiscal years, and by December 30, 2024 for the 2023-24 fiscal year. OYCR is currently in the final stages of compiling this data, and a summary of the available data is below. A more detailed breakdown of the data is expected from OYCR in March 2024.

OYCR

AB 102 Data Updates

	FY 2021-2022	FY 2022-2023
A. Number of youth committed to SYTF	237	427
B1. Number of youth adjudicated of a 707(b) offense	1,459	1,730
B2. Number of youth adjudicated of a PC 290.008 offense (not counted in B1)	98	74
C. Number of youth transferred from SYTF to LRP	*	100
D1. Number of youth for whom a fitness hearing was ordered	197	221
D2a. Number of youth transferred to adult criminal court	43	33
D2b. Number of youth NOT transferred to adult criminal court	80	94

Note: The data displayed reflect a statewide count.
Note: For FY 21-22, nine counties had no youth to report. (n=48)
For FY 22-23, eight counties had no youth to report. (n=49)
One county was excluded from analysis due to data accessibility challenges.
* Data not displayed for privacy – less than 11 youth

County Realignment Plans. To be eligible for JJRBG funds, each county is required to convene a subcommittee of the multiagency juvenile justice coordinating council chaired by the chief probation officer and including representatives from the district attorney, public defender, department of social services, department of mental health, the county office of education or school district, and the court, along with at least three community members. The subcommittees develop a plan for juvenile justice realignment within the county. These plans must include information on how counties will provide trauma-informed, culturally responsive, and developmentally appropriate programs and a description of data collection and outcome measures, among other topics detailed in statute (Welfare and Institutions Code Section 1995(c)). Counties were required to submit their initial plans by January 1, 2022, and must update their plan annually. OYCR is required to review these plans, return plans to counties for revision as necessary, and make the plans available on its website. Note that AB 505 (Ting), Chapter 528, Statutes of 2023, described below, made some changes to the development of these plans.

According to OYCR's 2022 County Plan Summary Report, requests for revision primarily fell within the following categories: expanded data, facility improvements, culturally responsive programming, family engagement and reentry, housing approach for secure treatment, and program effectiveness. Thirty-three

counties are adapting existing facilities to serve as a SYTF, while other counties that have had historically low referrals to DJJ are entering into regional agreements. The report notes that some counties have indicated that they are not able to care for specific sub populations, such as youth who need specialized treatment related to mental health or sex abuse offenses. Twelve counties identified a step-down placement for youth in their plan, and other counties stated that they plan to establish relationships with community service providers to develop step down plans. OYCR's report notes the importance of step-down placements in supporting youth to successfully reenter society and not stay in maximum security facilities for extended periods of time.

OYCR's 2022 County Plan Summary Report also identified priority areas for OYCR to work with counties to support best practices and provide technical assistance. These areas include: addressing the unique challenges for small, rural communities; developing methods for measuring effectiveness and outcomes relating to court-involved youth; retaining youth in the juvenile system and not in the adult prison system; and developing therapeutic facilities and building capacity to develop step-down options from secure facilities to less restrictive environments with greater access to community-based activities.

Recent Changes to OYCR Ombudsperson and County Realignment Plans. AB 505 (Ting), Chapter 528, Statutes of 2023, made several changes to statute governing the authority of the OYCR Ombudsperson to access juvenile facilities and records, and the development of county realignment plans, including:

- Authorizes the OYCR Ombudsperson to access juvenile detention facilities at any time without prior notice and to access juvenile facility records at all times.

- Authorizes the OYCR Ombudsperson to interview sworn probation personnel in accordance with applicable federal and state law, local probation department policies, and collective bargaining agreements.

- Provides that the OYCR Ombudsperson may recommend changes to improve services or to correct systemic issues.

- Requires the OYCR Ombudsperson advise all complainants that retaliation is not permitted and constitutes the basis for filing a subsequent complaint.

- Requires the OYCR Ombudsperson staff conduct a site visit to every juvenile facility and premises within the control of a county or local agency, or a contractor with a county or local agency, at least once per year.

- Makes various changes to the JJRBG county planning process, including: requires plans to be updated annually; requires the subcommittee to convene at least twice per year; allows the subcommittee to have a co-chair in addition to the probation chief; requires plans to be approved by a majority of the subcommittee; adds a new plan element regarding progress on implementation and development of innovative solutions to programs and services for youth; and requires the subcommittee to include at least three community members who have experience and expertise with community-based youth services and the juvenile justice system.

General OYCR Update. The OYCR Director was hired in January of 2022, and began hiring staff in spring 2022. As of August 2023, OYCR has authority for 28 full-time positions, with 17 positions filled across research and data, health policy, systems change and equity, and the Office of the Ombudsperson. Leading up to the closure of DJJ on June 30, 2023, OYCR provided technical assistance to courts and counties to support the return of DJJ youth with various service needs.

Some of OYCR's current projects include: a collaboration with the Vera Institute of Justice to support four counties in reducing and ending the incarceration of girls and gender expansive youth; releasing grants for less restrictive program innovation, community-based organization capacity building, intensive transitional services for youth with acute mental/behavioral health needs; trainings in coordination with California Tribal Families Coalition; family engagement services for youth at Pine Grove, and disseminating the Youth Bill of Rights.

OYCR Ombudsperson Update. The OYCR Ombudsperson line opened in August 2022. As of August 2023, the OYCR Ombudsperson had a total of 171 cases, 109 of which were in Los Angeles County. At that point in time, 53 percent of cases were closed, 46 percent were open, and one percent of cases were referred out. The most frequent issue characterizing investigations was conditions of confinement, followed by staffing, immediate safety, communication access, programming, physical health care, education, mental health care, and other issues.

Governor's Budget. The Governor's proposed 2024-25 budget includes the following proposals, which are discussed in greater detail in Issue 3 of this agenda:

- **Budget Change Proposal and Trailer Bill Language: Transfer of Juvenile Justice Programs to OYCR.** The Board of State and Community Corrections (BSCC) requests to shift the federal Title II Grant Program administrations to OYCR effective July 1, 2024. Grant administration functions include supporting the mandated state advisory group required by the Title II Grant Program known as the State Advisory Committee on Juvenile Justice and Delinquency Prevention (SACJJDP); as well as compliance monitoring functions under the Juvenile Justice and Delinquency Prevention Act (JJDPA). This proposal is specific to the above-mentioned federal grant; however, pursuant to Welfare and Institutions Code 2200, all juvenile justice grants, including the JJRBG and other state grant programs, will move under OYCR by January 2025.

- **Trailer Bill Language Proposal: Delay of Juvenile Justice Realignment Block Grant (JJRBG).** Welfare and Institutions Code 1991 requires the Governor and Legislature to work with stakeholders to establish a distribution methodology for the JJRBG that improves outcomes for realigned youth. The JJRBG provides $209 million for counties to provide appropriate rehabilitative and supervision services for realigned youth (those youth who would have been committed to DJJ prior to DJJ closure.) The Governor proposes to delay the development of a new distribution methodology from January 2024 to January 2025.

Subcommittee Staff Comment—This is an informational item.

Questions. The subcommittee requests OYCR respond to the following:

1. Please provide an overview of the county-specific juvenile justice data counties were required to submit to OYCR pursuant to the 2023 Budget Act. What do these data tell us about how realignment is implementing across the state? In what areas does the data show progress in meeting the goals of realignment and in what areas does the data indicate cause for concern?

2. Please describe the process of compiling the data mentioned above from counties. Are there any issues with data consistency, tracking, or reporting of data by county probation departments? What additional data would be helpful for OYCR to carry out its mission?

Issue 3: Transfer of Juvenile Justice Programs to the Office of Youth and Community Restoration

Budget Change Proposal and Trailer Bill Language – Governor's Budget. The Board of State and Community Corrections (BSCC) requests to shift the federal Title II Grant Program administration functions to the Office of Youth and Community Restoration (OYCR) effective July 1, 2024. Specifically, this proposal transfers the administration of the Title II Grant Program under the federal Juvenile Justice and Delinquency Prevention Act (JJDPA). The transfer of grant administering authority includes the move of related spending authority and all grant administration functions, including support for the State Advisory Committee on Juvenile Justice and Delinquency Prevention, and compliance monitoring functions under the JJDPA. This is a transfer of spending authority that has no impact on the General Fund.

Background. Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025. This is a component of the juvenile justice realignment plan laid out in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020.

Title II Grant Program and Juvenile Justice and Delinquency Prevention Act (JJDPA). The Title II Grant Program is a federal juvenile justice grant program that is administered by the BSCC. As the designated state agency, BSCC is required to carry out all grant administration functions, such as conducting an annual review, revision, and approval of a comprehensive state plan for the improvement of juvenile justice and delinquency prevention activities, establishing priorities for the use of JJDPA funds, and approving expenditures of such funds. The federal Reauthorization of JJDPA in 2018 (34 U.S.C. §§ 11101 et seq.) requires a supervisory board (currently the BSCC) as well as an "advisory group" that "shall consist of not less than 15 and not more than 33 members appointed by the chief executive officer of the State" and requires the membership to reflect specific kinds of representatives and experiences. (34 U.S.C. § 11133(a)(3).) In California, the state advisory group is known as the State Advisory Committee on Juvenile Justice and Delinquency Prevention (SACJJDP). The SACJJDP is currently housed in, and administratively supported by, the BSCC.

Under the JJDPA, SACJJDP must perform certain activities, such as participating in the development and review of the state's juvenile justice plan, provide review and comment on the state's Title II Grant application, and review progress and accomplishments funded under the state's plan for the Title II Grant. (34 U.S.C. § 11133(a)(3)(B-E).) To support the SACJJDP in carrying out its required activities, the JJDPA allows the designated state agency to set aside no more than 5 percent of the annual Title II Grant allocation.

The JJDPA also establishes federal minimum standards for the protection and care of youth who have contact with juvenile justice systems. These standards are more commonly known as "the core requirements," which prohibit certain minors from being detained or confined, prohibit sight or sound contact between minors and adults in detention, and prohibit minors from being in detention in a law enforcement facility for more than six hours. (34 U.S.C. § 11133(a)(3)(11)(A) – (13)(B)).) The BSCC monitors secure facilities for compliance with these core requirements through data collection and verification efforts, and compliance monitoring inspections. (Welfare & Institutions Code § 209(f).) The federal Title II Grant Program generally provides $12 million in grant funding, largely to community-based organizations, over three-year cycles (approximately $4 million per year).

As part of this proposal, OYCR will assume administration of the Title II Grant Program as well as the connected responsibilities for compliance monitoring associated with the JJDPA. This includes position authority for four full-time staff dedicated to the Title II Grant Program: one field representative and three Associate Governmental Program Analysts. These positions will be eliminated from BSCC and transferred to OYCR as part of this transition.

Juvenile Justice Funding. This Budget Change Proposal only addresses the federal Title II Grant Program, which is one of several juvenile justice grant programs. Pursuant to Welfare and Institutions Code 2200, "all juvenile justice grant administration functions in the Board of State and Community Corrections shall be moved to [OYCR] no later than January 1, 2025."

The chart below, provided by the Legislative Analyst's Office, shows statewide funding for various juvenile justice grant programs:

Major Sources of County Juvenile Justice Funding Provided Through the State

(In Millions)

Program	2023-24 Estimated Funding	2024-25 Proposed Funding
Funding to Support Realigned Workload	**$453**	**$490**
Youthful Offender Block Grant	244	251
Juvenile Justice Realignment Block Grant	195	225
Juvenile Reentry Grant	14	15
Funding for Other Workload	**$537**	**$553**
Juvenile Probation Activities	283	291
Juvenile Justice Crime Prevention Act	199	205
Juvenile Probation Camp Funding	55	56
Totals	**$990**	**$1,043**

The Youthful Offender Block Grant supports county responsibilities realigned in 2007, and the Juvenile Justice Reentry Grant supports responsibilities realigned in 2010. The Juvenile Justice Realignment Block Grant (JJRBG) provides funding for the 2021 realignment of youth who would have formerly been committed to the Division of Juvenile Justice (DJJ). The JJRBG is currently based on a temporary formula. Current law requires the Governor and the Legislature to work with stakeholders to establish a permanent allocation formula in 2024; the Governor's Budget proposes extending the temporary formula for one year and developing a permanent formula in 2025 instead.

In addition to the grants stemming from various realignments, the state funds counties for juvenile-justice related workload through the Juvenile Probation Activities grant, the Juvenile Justice Crime Prevention Act, and the Juvenile Probation Camp Funding grant. Overall, the state provides approximately $1 billion to counties in 2024-25 for juvenile justice programs.

Trailer Bill Language: Transfer of Title II Grant Program – Governor's Budget. This proposal also includes trailer bill language that establishes OYCR as the designated state agency under the JJDPA and authorizes OYCR to carry out all grant administration functions pursuant to the JJDPA. The trailer bill language also repeals code sections related to an inactive advisory group on runaway and homeless youth (Welfare and Institutions Code Sections 1785, 1786, 13704, and 13812).

Trailer Bill Language: Delay of JJRBG Formula – Governor's Budget. Additionally, the Governor proposes trailer bill language to delay the development of a new distribution methodology for the JJRBG from January 2024 to January 2025.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that this Budget Change Proposal lacks clarity regarding full implementation of Welfare and Institutions Code 2200, which requires all juvenile justice programs to move from BSCC to OYCR by January 1, 2025. This proposal only transfers the relevant position authority for one federal program, the Title II Grant Program, which funds about $4 million in juvenile-justice related programming per year, a fraction of the approximately $1 billion in overall funding the state provides to counties to administer juvenile justice programs.

The Administration has indicated that JJRBG is with OYCR per statute, and there is not currently position authority at BSCC that needs to transfer to OYCR. OYCR is already tasked with reviewing county realignment plans connected to the JJRBG.

However, the other juvenile justice programs mentioned above (Youthful Offender Block Grant, Juvenile Reentry Grant, Juvenile Probation Activities Grant, Juvenile Justice Crime Prevention Act, and Juvenile Probation Camp Funding grant) are not included in this proposal. The Administration has not provided an answer on why the bulk of juvenile justice grant programs are absent from this proposal and what issues exist that would prevent full fidelity to the statute.

Questions. The subcommittee requests the Department of Finance respond to the following:

1. Please provide a brief overview of this proposal.

2. Please describe each of the following programs and their 2024-25 budget allocations: Youthful Offender Block Grant, Juvenile Reentry Grant, Juvenile Justice Realignment Block Grant, Juvenile Probation Activities grant, Juvenile Justice Crime Prevention Act, and Juvenile Probation Camp Funding grant. Please describe how these programs are currently administered and how they are interrelated.

3. Welfare and Institutions Code 2200 requires all juvenile justice grant administration functions to move under OYCR by January 1, 2025. Please explain why this proposal speaks only to the federal Title II Grant Program and not the totality of juvenile justice grant administration functions that are required by law to move to OYCR. How does the Administration plan to fulfill the state's obligation to focus

juvenile justice programs under OYCR? How will OYCR fulfill its statutory mandate to administer these grants without resources for this transition?

4. Welfare and Institutions Code 1991 requires the Governor and Legislature to work with stakeholders to establish a distribution methodology for the Juvenile Justice Realignment Block Grant (JJRBG) by January 2024. The Governor's proposed trailer bill language would extend the current temporary formula for one year, and instead establish a new distribution methodology in 2025. Statute requires that the permanent formula be one that improves outcomes for the population. What is the reason for delaying the new formula? What is the Administration considering as it looks to develop a new JJRBG formula that improves outcomes, and how will the Administration engage with stakeholders as part of this work?

Issue 4: Deferral of CalHHS Innovation Accelerator

General Fund Budget Solution – Governor's Budget. CalHHS requests to revert and delay General Fund expenditure authority of $42 million in 2023-24 and $32 million in 2024-25, approved in the 2023 Budget Act, for the CalHHS Innovation Accelerator. This project, which intends to pursue innovative opportunities for addressing major health challenges, such as diabetes-related morbidity and mortality, disparities in maternal and infant mortality, and preventing and mitigating infectious disease, would be delayed until 2025-26 and 2026-27.

Multi-Year Funding Request Summary				
Fund Source	**2023-24**	**2024-25**	**2025-26**	**2026-27**
0001 – General Fund	($42,000,000)	($32,000,000)	$42,000,000	$32,000,000
Total Funding Request:	**($42,000,000)**	**($32,000,000)**	**$42,000,000**	**$32,000,000**

Background. The 2023 Budget Act included General Fund expenditure authority of $42 million in 2023-24 and $32 million in 2024-25 to support the CalHHS Innovation Accelerator. According to the Administration's original proposal, submitted in June 2023, the CalHHS Innovation Accelerator is a public-private partnership to create the environment for researchers and developers to create solutions to the greatest health challenges facing Californians, such as diabetes-related morbidity and mortality, addressing disparities in maternal and infant mortality, and preventing and mitigating infectious disease. The Accelerator would: 1) identify a set of five key areas or health disparities that threaten Californians; 2) seek to fund researchers and implementation efforts to create and/or identify solutions that can close targeted disparities; and 3) create the conduit and connections that ensure these solutions and inventions are brought into Californians safety net programs to have more immediate benefit to Californians facing these disparities. The 2023 Budget Act also included language exempting the Accelerator from state contracting requirements.

Budget Solution. CalHHS requests to revert and delay General Fund expenditure authority of $42 million in 2023-24 and $32 million in 2024-25, approved in the 2023 Budget Act, for the CalHHS Innovation Accelerator. This delay in funding is being proposed to address the General Fund shortfall.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CalHHS to respond to the following:

1. Please provide a brief overview of this program.

2. What entities would be partners and receive funding through this program?

3. Please provide some examples of the types of innovations that would be accelerated by this program, including how they would be incorporated into safety net programs to address disparities.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Issue 1: Overview

Background. The California Health Facilities Financing Authority (CHFFA) was established in 1979 in the State Treasurer's Office to provide financial assistance to nonprofit and public health facilities through bonds, loans, and grants. CHFFA achieves these goals by providing cost-effective tax-exempt bond, low-cost loan, and direct grant programs.

The Authority is governed by nine members, including the State Treasurer, the State Controller, the Director of Finance, two members appointed by the Senate Rules Committee, two members appointed by the Speaker of the Assembly, and two members appointed by the Governor subject to confirmation by the Senate. Of the members appointed by the Senate, one member must be a licensed physician or surgeon, and one must be a current or former health facility executive. Of the members appointed by the Assembly, one member must be trained in investment or finance and one member represents the general public. The members appointed by the Governor also represent the general public. Appointed members serve for four years.

California Health Facilities Financing Authority Three-Year Funding Summary			
Fund Source	**2022-23**	**2023-24**	**2024-25**
	Actual	***Revised***	***Proposed***
0001 – General Fund	$49,777,000	$1,003,000	$-
0904 – CHFFA Fund	$19,867,000	$9.668,000	$9,676,000
3085 – Mental Health Services Fund	$9,915,000	$11,005,000	$4,000,000
3357 – Supp Housing Prog Subacct	$140,971,000	$140,000,000	$140,000,000
6046 – Children's Hospital Fund	$414,000	$5,362,000	$5,362,000
6079 – Children's Hosp Bond Fund	$304,000	$40,498,000	$40,500,000
6090 – Childrens Hosp 2018 Fund	$4,665,000	$200,639,000	$200,640,000
Total Department Funding:	**$225,913,000**	**$408,175,000**	**$400,178,000**
Total Authorized Positions:	**18.5**	**26.5**	**26.5**

CHFFA was created to be the state's vehicle for providing financial assistance to public and non-profit health care providers in California through loans funded by the issuance of tax-exempt bonds. CHFFA has financed a wide range of providers and programs throughout the state and administers the following major programs: 1) Bond Financing Program, 2) the Healthcare Expansion Loan Program (HELP II), 3) Non-Designated Public Hospital Bridge Loan Programs, 4) Distressed Hospital Loan Program, 5) Children's Hospital Programs of 2004, 2008, and 2018, 6) Investment in Mental Health Wellness Grant Program, 7) Investment in Mental Health Wellness Grant Program for Children and Youth, 8) Community Services Infrastructure Grant Program, and 9) Specialty Dental Clinic Grant Program.

Bond Financing Program. The Bond Financing Program provides eligible borrowers access to low interest rate capital markets through the issuance of tax-exempt and taxable conduit revenue bonds. Tax-exempt and taxable bonds may be issued as either a public offering or a private placement. Due to the

cost of issuing bonds, this program is primarily utilized by borrowers with capital project financing needs in excess of $5 million. Financing through this program may be used to fund construction or renovation projects, land acquisition for future projects, acquisition of existing health facilities, refinancing of existing debt, working capital for start-up facilities, purchase of equipment, and the costs of issuance. According to CHFFA, as of December 31, 2023, the program has issued bonds worth approximately $47.7 billion to 275 health institutions.

Healthcare Expansion Loan Program II (HELP II). CHFFA established HELP II in 1995 to assist small and rural health facilities and district hospitals to obtain financing to support expansion and improvement of services to the people of California. Health facilities eligible for financing under HELP II must meet one of the following conditions:

- Receive no more than $30 million in annual gross revenues.
- Located in a rural Medical Service Study Area as defined by the California Workforce Policy Commission.
- A district hospital.

Eligible facilities must be non-profit or publicly operated, have been in existence for at least three years performing the same types of services, and demonstrate evidence of fiscal soundness and ability to meet the terms of the loan. Eligible health facilities may receive loans under the following general terms:

- Two percent fixed interest rate for property acquisition, construction, renovation up to $2 million (maximum 20 year repayment period).
- Two percent fixed interest rate for equipment up to $2 million (maximum five year repayment period).
- Three percent fixed interest for loan refinancing up to $1 million (maximum 15 year repayment period).

According to CHFFA, as of December 31, 2023, HELP II has provided more than $144.9 million in loans to eligible health facilities.

Nondesignated Public Hospital Bridge Loan Programs. The Nondesignated Public Hospital Bridge Loan Program, established in the 2021 Budget Act, authorized CHFFA to issue zero interest rate, two-year term loans to eligible nondesignated public hospitals affected by financial delays associated with the transition from the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) Program to the Quality Incentive Program (QIP). The 2021 Budget Act authorized $40 million in loans (NDPH I) and the 2022 Budget Act authorized an additional $40 million (NDPH II). According to CHFFA, there were 15 applications approved totaling $17.8 million in the first round and 12 applications approved totaling $22.2 million in the second round of NDPH I. There were nine applications received and approved totaling $40 million in one funding round, exhausting the total amount appropriated, for NDPH II.

Distressed Hospital Loan Program. The Distressed Hospital Loan Program (DHLP) was established by AB 112 (Committee on Budget), Chapter 6, Statutes of 2023, and authorizes the Department of Health Care Access and Information (HCAI), in collaboration with CHFFA, to make interest-free cashflow loans to financially distressed not-for-profit or public hospitals or governmental entities representing a closed hospital, to prevent hospital closure or facilitate the reopening of these hospitals. AB 112 authorized the

transfer of up to $150 million to the newly established Distressed Hospital Loan Program Fund to support the program. AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, authorized an additional transfer of $150 million from the Medi-Cal Provider Payment Reserve Fund, which collects revenue from the state's recently enacted tax on managed care organizations, to the Distressed Hospital Loan Fund to further support the loan program. According to CHFFA, the first application period opened on June 16, 2023, with a submission deadline of July 31, 2023. HCAI awarded loans to 17 hospitals, one hospital forfeited its loan award, and of the 16 remaining hospitals, 12 have been disbursed their full loan amounts with four hospitals in progress. Two of the hospitals are in bankruptcy, which will require unique agreements for their special circumstances.

Children's Hospital Grant Programs of 2004, 2008 and 2018. The Children's Hospital Programs' purpose is to improve the health and welfare of California's critically ill children by providing a stable and ready source of funds for capital improvement projects for children's hospitals. There have been three separate initiatives passed by California voters to support Children's hospitals: 1) Proposition 61 in November 2004, which enabled the State of California to issue $750 million in general obligation bonds to fund the Children's Hospital Program of 2004; 2) Proposition 3 in November 2008, which allowed the State of California to issue an additional $980 million in general obligation bonds to fund the Children's Hospital Program of 2008; and 3) Proposition 4 in November 2018, which permitted the State of California to issue $1.5 billion in general obligation bonds to fund the Children's Hospital Program of 2018. According to CHFFA, as of December 31, 2023, 46 grants totaling approximately $763 million have been awarded for the Children's Hospital Program of 2004, 40 grants totaling over $1 billion for the Children's Hospital Program of 2008, and 30 grants totaling approximately $724 million for the Children's Hospital Program of 2018.

Investment in Mental Health Wellness Grant Program. SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, provided $142.5 million in one-time General Fund, $4 million in ongoing Mental Health Services Act (MHSA) funding, and $2.8 million in federal matching funds (reimbursements) to provide grants for community-based mental health crisis support. Known as the Investment in Mental Health Wellness Act of 2013, SB 82 authorized CHFFA to disburse funds to California counties or their nonprofit or public agency designees to develop mental health crisis support programs. The one-time General Fund grants support capital projects to increase capacity for crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and peer respite. The MHSA and federal funds grants support personnel costs associated with operation of mobile crisis support teams. The grants support capital improvement, expansion and limited start-up costs.

CHFFA conducted six funding rounds for competitive grant awards, approving a total of 79 projects (69 capital and 10 personnel) in 41 counties. Approximately $136.5 million of capital funding and $20 million of funding for mobile crisis support team personnel has been encumbered. As of December 31, 2023, 59 capital projects are complete, consisting of 434 crisis residential treatment beds, 200 crisis stabilization beds, six peer respite care beds, and an equivalent of 110 mobile crisis support teams. An additional 128 crisis residential treatment beds are still pending. The personnel funding supported 57.25 mobile crisis support team positions.

Investment in Mental Health Wellness Grant Program for Children and Youth. SB 833 (Committee on Budget and Fiscal Review), Chapter 30, Statutes of 2016, expanded the Investment in Mental Health Wellness Grant Program by establishing the Children and Youth (CY) Grant Program with the goal of

improving access to mental health crisis services for children and youth ages 21 and under. The 2016 Budget Act included one-time General Fund expenditure authority of $27 million, and allocated any unspent funds under the Investment in Mental Health Wellness Act of 2013 (SB 82) program to support the CY Grant Program, with the goal of adding 200 mobile crisis support teams (MCSTs) and 120 crisis stabilization and crisis residential treatment beds, with funding allowed for capital improvement, expansion and limited start-up costs. According to CHFFA, it has completed five funding rounds, awarding 23 grants totaling $46.6 million. A total of $42.6 million was awarded for capital funding and $4 million for annual MCST personnel funding for up to five years. As of December 31, 2023, 13 out of the 25 approved MCST vehicles are operational, and 29.25 of the 44.75 approved MCST personnel have been hired.

Community Services Infrastructure Grant Program (CSI Grant Program). SB 843 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2016, established the CSI Grant Program, a one-time competitive grant program to expand access to jail and prison diversion programs and services for those with mental health illness, substance use disorders, or who have suffered from trauma. CSI Grant Program funding supports capital improvement, expansion and limited start-up costs. The 2017 Budget Act authorized one-time General Fund expenditure authority of $67.5 million to support the program. According to CHFFA, after four funding rounds the program awarded 18 grants to ten counties totaling $65.7 million that will serve an average of approximately 1,339 justice-involved individuals annually. As of December 31, 2023, eight CSI grant projects are open and operational and will serve an average of approximately 984 justice-involved individuals annually.

Specialty Dental Clinic Grant Program. The 2022 Budget Act authorized General Fund expenditure authority of $25 million in 2022-23 and $25 million in 2023-24 to establish a competitive grant program to support the construction, expansion, modification, or adaptation of specialty dental clinics in California. The Specialty Dental Clinic Grant Program aims to support special health care needs populations by increasing timely access, reducing geographic shortages, increasing equity, and supporting quality of care, while also encouraging prevention services, early intervention, behavior support service and intervention, provider education, and community outreach activities that bring care to community sites. In consultation with stakeholders, CHFFA approved guidelines and the application and opened the first funding round on October 2, 2023, with a deadline to submit applications by April 1, 2024. CHFFA has received a total of nine applications so far.

The Governor's January budget proposes to delay funding for Specialty Dental Clinic Grant Program until 2025-26. CHFFA reports it will continue accepting applications but has notified potential applicants that the review will be on hold until funding is available. At that time, if needed, applicants may have the opportunity to amend their applications to reflect any project updates.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CHFFA to respond to the following:

1. Please provide a brief overview of CHFFA's mission and programs.

Issue 2: Delay of Specialty Dental Clinic Grant Program

General Fund Budget Solution – Governor's Budget. CHFFA proposes to revert total General Fund expenditure authority of $48.8 million, originally authorized in the 2022 Budget Act, to support the Specialty Dental Clinic Grant Program. According to the Governor's January budget summary, the Administration intends to reauthorize funding to implement this program in the 2025 Budget Act.

Multi-Year Funding Request Summary				
Fund Source	**2022-23**	**2023-24**	**2024-25**	**2025-26**
0001 – General Fund	($23,750,000)	($25,000,000)	$-	$48,750,000
Total Funding Request:	**($23,750,000)**	**($25,000,000)**	**$-**	**$48,750,000**

Background. The 2022 Budget Act authorized General Fund expenditure authority of $25 million in 2022-23 and $25 million in 2023-24 to establish a competitive grant program to support the construction, expansion, modification, or adaptation of specialty dental clinics in California. The Specialty Dental Clinic Grant Program aims to support special health care needs populations by increasing timely access, reducing geographic shortages, increasing equity, and supporting quality of care, while also encouraging prevention services, early intervention, behavior support service and intervention, provider education, and community outreach activities that bring care to community sites. In consultation with stakeholders, CHFFA approved guidelines and the application and opened the first funding round on October 2, 2023, with a deadline to submit applications by April 1, 2024. CHFFA has received a total of nine applications so far.

Budget Solution. CHFFA proposes to revert total General Fund expenditure authority of $48.8 million, originally authorized in the 2022 Budget Act, to support the Specialty Dental Clinic Grant Program. According to the Governor's January budget summary, the Administration intends to reauthorize funding to implement this program in the 2025 Budget Act. These reversions are intended to address the General Fund shortfall.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CHFFA and the Department of Finance to respond to the following:

1. Please provide a brief overview the Specialty Dental Clinic Program.

2. Please describe how the funding applications received prior to the April 1, 2024, deadline will be impacted by the proposed delay in funding for the program.

Issue 3: Distressed Hospital Loan Program – Trailer Bill Language

Trailer Bill Language – Governor's Budget. CHFFA proposes trailer bill language to extend the deadline to utilize funds for the administration of the Distressed Hospital Loan Program from June 30, 2026, to December 31, 2031. This proposal was not included in the Governor's January budget.

Background. The Distressed Hospital Loan Program (DHLP) was established by AB 112 (Committee on Budget), Chapter 6, Statutes of 2023, and authorizes the Department of Health Care Access and Information (HCAI), in collaboration with CHFFA, to make interest-free cashflow loans to financially distressed not-for-profit or public hospitals or governmental entities representing a closed hospital, to prevent hospital closure or facilitate the reopening of these hospitals. AB 112 authorized the transfer of up to $150 million to the newly established Distressed Hospital Loan Program Fund to support the program. AB 118 (Committee on Budget), Chapter 42, Statutes of 2023, authorized an additional transfer of $150 million from the Medi-Cal Provider Payment Reserve Fund, which collects revenue from the state's recently enacted tax on managed care organizations, to the Distressed Hospital Loan Fund to further support the loan program. According to CHFFA, the first application period opened on June 16, 2023, with a submission deadline of July 31, 2023. HCAI awarded loans to 17 hospitals, one hospital forfeited its loan award, and of the 16 remaining hospitals, 12 have been disbursed their full loan amounts with four hospitals in progress. Two of the hospitals are in bankruptcy, which will require unique agreements for their special circumstances.

AB 112 authorized up to five percent of the total program funds allocated to the DHLP to CHFFA to administer the program. The funds were made available for encumbrance and expenditure until June 30, 2026. However, the loan program is authorized in statute until December 31, 2031, creating an inconsistency in the availability of funding to administer the program and the program's authorized term of operation.

Trailer Bill Language. CHFFA proposes trailer bill language to extend the deadline to utilize funds for the administration of the Distressed Hospital Loan Program from June 30, 2026, to December 31, 2031. According to CHFFA, this extension would allow it to utilize the $7.5 million allocated for administration of DHLP until the end of the program's authorized term of operation in December 31, 2031. No additional funds would be authorized by this proposed language. CHFFA reports, through the end of the program's operation, it would require staff to assist HCAI to administer loan terms and develop the process and application for loan forgiveness or modification.

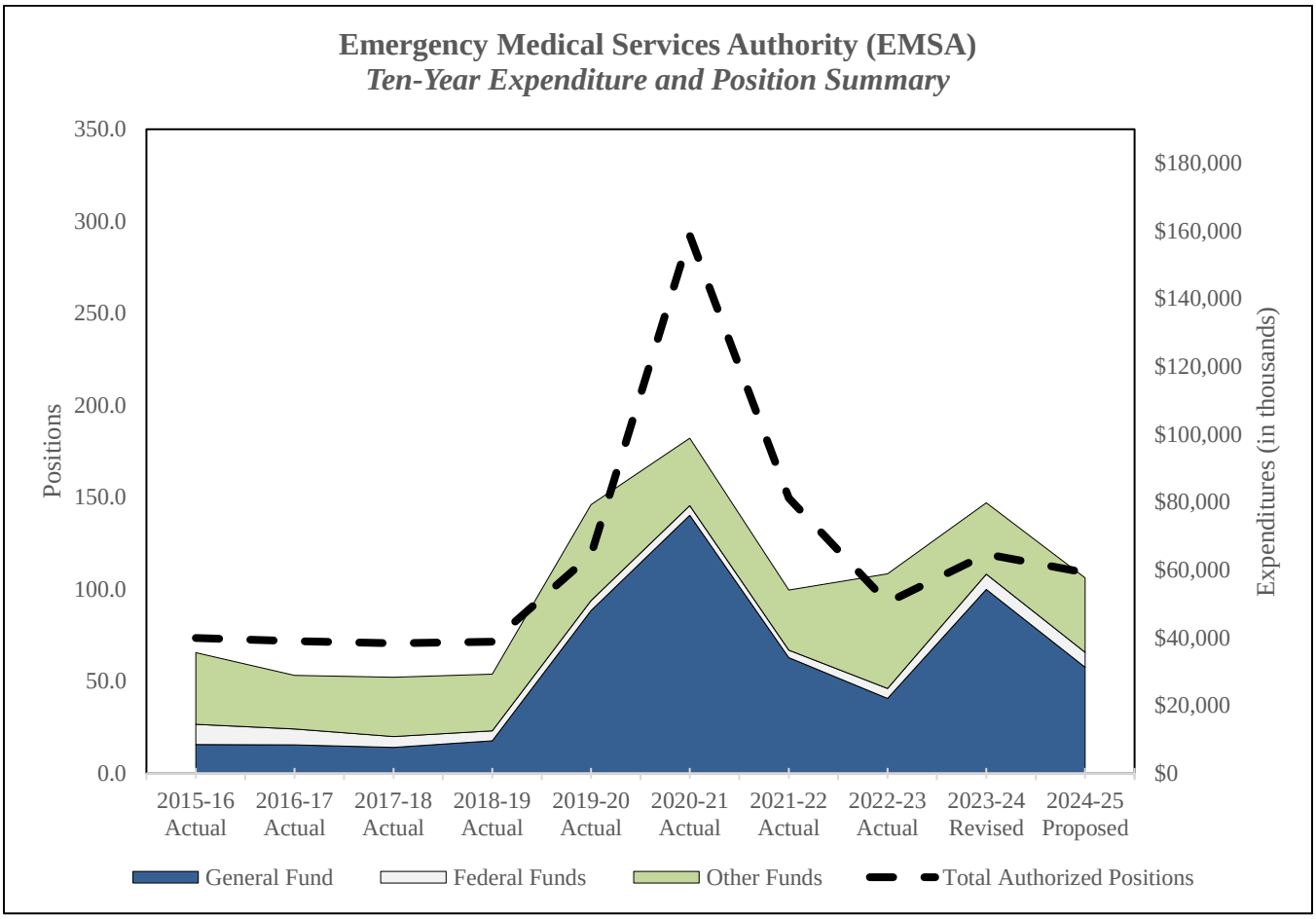
Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CalHHS to respond to the following:

1. Please provide a brief overview of this proposal.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

Issue 1: Overview



Emergency Medical Services Authority - *Department Funding Summary* *(dollars in thousands)*				
Fund Source	***2022-23 Actual***	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	$22,037	$33,652	$54,209	$31,261
Federal Funds	$2,976	$4,465	$4,521	$4,412
Other Funds	$33,846	$21,628	$21,076	$21,946
Total Department Funding:	**$58,859**	**$59,745**	**$79,806**	**$57,619**
Total Authorized Positions:	**92.7**	**119.0**	**119**	**109**
Other Funds Detail:				
EMS Training Prog. Approval Fund (0194)	*$92*	*$246*	*$252*	*$253*
EMS Personnel Fund (0312)	*$3,211*	*$3,688*	*$3,102*	*$3,621*
Reimbursements (0995)	*$29,615*	*$15,957*	*$15,957*	*$16,306*

EMT Certification Fund (3137)	*$928*	*$1,737*	*$1,765*	*$1,766*

Background. The Emergency Medical Services Authority (EMSA), authorized by the Emergency Medical Services System and Prehospital Emergency Care Act, administers a statewide system of coordinated emergency medical care, injury prevention, and disaster medical response that integrates public health, public safety, and health care services. Prior to the establishment of EMSA in 1980, California did not have a central state agency responsible for ensuring the development and coordination of emergency medical services (EMS) programs statewide. For example, many jurisdictions maintained their own certification requirements for paramedics, emergency medical technicians (EMTs), and other emergency personnel, requiring individuals certified to provide emergency services in one county to re-test and re-certify to new standards to provide emergency services in a different county. EMSA is organized into three program divisions: the Disaster Medical Services Division, the EMS Personnel Division, and the EMS Systems Division.

Disaster Medical Services Division. The Disaster Medical Services Division coordinates California's medical response to major disasters by carrying out EMSA's mandate to provide medical resources to local governments in support of their disaster response efforts. The division coordinates with the Governor's Office of Emergency Services, the Office of Homeland Security, the California National Guard, the Department of Public Health, and other local, state, and federal agencies, private sector hospitals, ambulance companies, and medical supply vendors, to promote and improve disaster preparedness and emergency medical response in California.

EMS Personnel Division. The EMS Personnel Division is responsible for the certification, licensing, and discipline of all active paramedics throughout the state. The division develops and implements regulations that set training standards and the scope of practice for various levels of personnel; sets standards for and approves training programs in pediatric first aid, cardiopulmonary resuscitation (CPR), and preventive health practices for child day care providers and school bus drivers; and develops standards for emergency medical dispatcher training, pre-arrival emergency care instructions, and epinephrine auto-injector training.

EMS Systems Division. The EMS Systems Division is in charge of developing and implementing EMS systems throughout California, including supporting local Health Information Exchange projects that will allow the state to collect more meaningful data so emergency medical services providers can deliver better patient care. The division oversees system development and implementation by the local EMS agencies, the statewide trauma system, and emergency medical dispatcher and communication standards. It establishes regulations and guidelines for local agencies, reviews and approves local plans to ensure they meet minimum state standards, coordinates injury and illness prevention activities with the Department of Public Health and the Office of Traffic Safety, manages the state's EMS data and quality improvement processes, conducts Ambulance Exclusive Operating Area evaluations, and oversees the operation of California's Poison Control System and EMS for Children programs.

Subcommittee Staff Comment—This is an informational item.

Questions. The subcommittee has requested EMSA to respond to the following:

1. Please provide a brief overview of the Authority's mission and programs.

Issue 2: Maintenance and Repair of Critical Bio-Medical Equipment

Budget Change Proposal – Governor's Budget. EMSA requests annual General Fund expenditure authority of $2 million. If approved, these resources would allow EMSA to maintain critical biomedical equipment and medical supplies acquired during the COVID-19 pandemic, and provide lifesaving resuscitative and medical surge services to relieve suffering for disaster victims during pandemics or other catastrophic emergencies.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0001 – General Fund	$2,000,000	$2,000,000
Total Funding Request:	**$2,000,000**	**$2,000,000**
Total Requested Positions:	**0.0**	**0.0**

* Resources ongoing after 2025-26.

Background. As part of its mission, EMSA is responsible for the maintenance and repair of over 30,000 pieces of biomedical equipment. During the COVID-19 pandemic, EMSA purchased additional equipment to support health care facilities and other pandemic response operations, including ventilators, infusion pumps, humidifiers, automated external defibrillators, and patient monitors. As part of its disaster response, EMSA had 2,875 pieces of biomedical equipment deployed throughout the state and to assist other states in need.

The 2021 Budget Act included General Fund expenditure authority of $2 million to support a maintenance contract for 3,637 pieces of equipment related to the pandemic. The contracting process was administered by the Department of General Services (DGS) Equipment Maintenance Management Insurance Program, a competitively bid program designed to help California state agencies maintain and repair state-owned equipment. According to EMSA, funding for this maintenance contract expires at the end of 2023-24. The equipment includes 2,305 ventilators, 500 infusion pumps, 1,000 humidifiers, 32 Zoll monitors and automatic external defibrillators, and 95 patient monitors.

Resource Request. EMSA requests annual General Fund expenditure authority of $2 million to maintain critical biomedical equipment and medical supplies acquired during the COVID-19 pandemic, and provide lifesaving resuscitative and medical surge services to relieve suffering for disaster victims during pandemics or other catastrophic emergencies. These resources would support continuation of a biomedical maintenance contract to support the 3,637 pieces of equipment acquired during the COVID-19 pandemic.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested EMSA to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 3: California EMS Information System Maintenance and Operations

Budget Change Proposal – Governor's Budget. EMSA requests General Fund expenditure authority of $4.2 million in 2024-25 and $4.4 million in 2025-26. If approved, these resources would allow EMSA to continue maintenance and operations for the California Emergency Medical Services Information System.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$4,200,000	$4,400,000
Total Funding Request:	**$4,200,000**	**$4,400,000**
Total Requested Positions:	**0.0**	**0.0**

Background. The California Emergency Medical Services Information System (CEMSIS) is a secure, centralized, data system for collecting data about individual emergency medical service requests, patients treated at hospitals, and emergency medical services (EMS) provider organizations. CEMSIS was established as part of an emergency procurement during the COVID-19 pandemic. The 2022 Budget Act included expenditure authority of $4.8 million, including one-time funding of $1.7 million from the Preventative Health Services Block Grant, to support the emergency procurement for the first year of a two-year emergency contract with ImageTrend, Inc., for the migration, maintenance, and continued operation of CEMSIS. The contract included the option to extend the term for up to two, one-year optional terms.

The 2023 Budget Act included General Fund expenditure authority of $4.9 million in 2023-24 and $185,000 in 2024-25 to extend the contract for a second year and collaborate with the CalHHS Office of Technology and Solutions Integration (OTSI) to assist in the procurement process for continued operation of CEMSIS. EMSA had previously planned to migrate CEMSIS into a new system under its California Emergency Data Resources System (CEDRS) project. However, EMSA has identified other CalHHS and EMSA systems that can serve its business needs and will maintain CEMSIS as its own system.

Resource Request. EMSA requests General Fund expenditure authority of $4.2 million in 2024-25 and $4.4 million in 2025-26 to continue maintenance and operations for CEMSIS. These resources would support the optional third and fourth year of the ImageTrend Inc. contract while the CEMSIS procurement process continues and is completed with the support of OTSI.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested EMSA to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 4: Storage of Emergency Medical Response Equipment and Supplies

Budget Change Proposal – Governor's Budget. EMSA requests General Fund expenditure authority of $3 million in 2024-25, $3.1 million in 2025-26, and $3.2 million in 2026-27. If approved, these resources would support continued storage and security of emergency medical response equipment and supplies.

Multi-Year Funding Request Summary			
Fund Source	**2024-25**	**2025-26**	**2026-027**
0001 – General Fund	$3,002,000	$3,086,000	$3,172,000
Total Funding Request:	**$3,002,000**	**$3,086,000**	**$3,172,000**
Total Requested Positions:	**0.0**	**0.0**	**0.0**

Background. According to EMSA, during the COVID-19 pandemic its single 25,000 square foot warehouse was insufficient to house the needed equipment and supplies to support the state's emergency response efforts, as well as future responses. During this period, EMSA leased three additional warehouses to support emergency operations, including in-processing and storage of 6,000 intravenous infusion pumps, 15,491 ventilators, 88 oxygen concentrators, and other related patient interface devices and medical supplies. In 2021-22, EMSA reports these three warehouses were consolidated into a single warehouse with 255,000 square feet of storage space and 13,000 square feet of office space.

EMSA reports it is currently leasing the larger warehouse under the terms of a six year contract that ends on May 31, 2029. This warehouse would provide storage and space for maintenance of essential emergency medical equipment and supplies to be ready for immediate deployment throughout the state in response to medical emergencies and disasters. The 2021 Budget Act authorized General Fund expenditure authority of $3.1 million per year for three years to support the warehouse until 2023-24.

Resource Request. EMSA requests General Fund expenditure authority of $3 million in 2024-25, $3.1 million in 2025-26, and $3.2 million in 2026-27 to support continued storage and security of emergency medical response equipment and supplies. These resources would allow EMSA to support three additional years of the lease for its equipment and supplies warehouse.

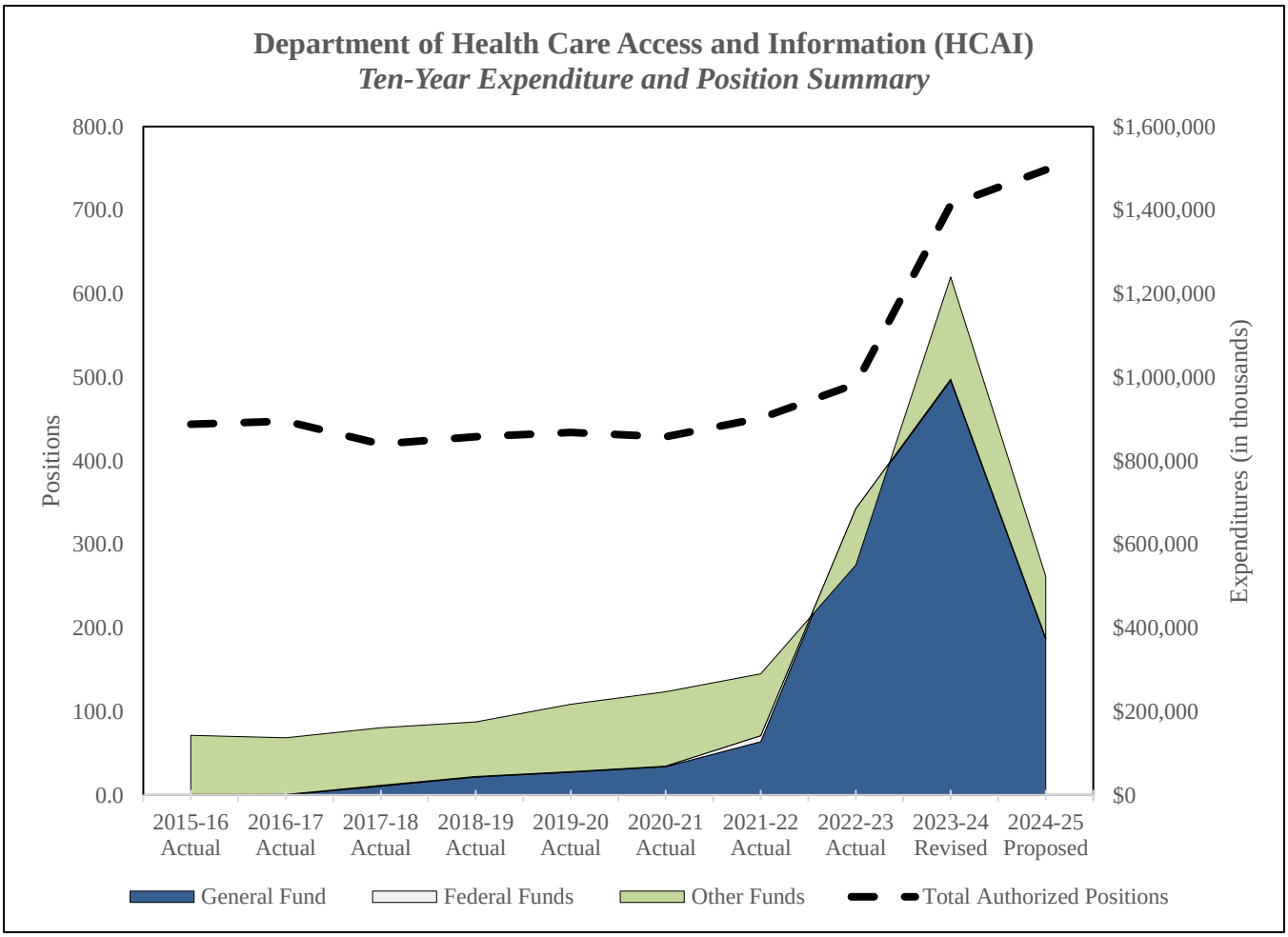
Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested EMSA to respond to the following:

1. Please provide a brief overview of this proposal.

4140 DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

Issue 1: Overview



Department of Health Care Access and Information - *Department Funding Summary* *(dollars in thousands)*				
Fund Source	***2022-23 Actual***	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	$682,467	$287,885	$992,344	$373,219
Federal Funds	$2,960	$3,000	$3,142	$2,871
Other Funds	($134,931)	$375,870	$244,343	$147,389
Total Department Funding:	**$550,496**	**$666,755**	**$1,239,829**	**$523,479**
Total Authorized Positions:	**491.9**	**703.1**	**706.2**	**748.2**
Other Funds Detail:				
Hospital Building Fund (0121)	*$58,528*	*$76,866*	*$77,777*	*$77,893*

CA Health Data and Planning Fund (0143)	*$33,256*	*$42,666*	*$45,455*	*$43,864*
Registered Nurse Education Fund (0181)	*$2,047*	*$2,170*	*$2,183*	*$2,185*
Health Facility Const. Loan Ins. Fund (0518)	*$33,261*	*$5,448*	*$6,124*	*$6,387*
Health Professions Education Fund (0829)	*$14,517*	*$3,106*	*$3,095*	*$1,095*
Medically Underserved Account/Phys (8034)	*$1,701*	*$4,416*	*$4,416*	*$4,416*
Reimbursements (0995)	*$6,114*	*$7,940*	*$7,940*	*$7,947*
Mental Health Practitioner Ed. Fund (3064)	*$749*	*$762*	*$762*	*$762*
Vocational Nurse Education Fund (3068)	*$138*	*$235*	*$235*	*$235*
Mental Health Services Fund (3085)	*$4,302*	*$199,005*	*$13,831*	*$2,605*
Small and Rural Hosp Relief Fund (3391)	*$500*	*$2,171*	*$0*	*$0*
CA E-Cig Excise Tax fund (3394)	*$0*	*$1,085*	*$0*	*$0*
Opioid Settlements Fund (3397)	*$0*	*$30,000*	*$25,000*	*$0*
Distressed Hosp Loan Prog Fund (3432)	*($292,101)*	*$0*	*$0*	*$0*
HCBS American Rescue Plan Fund (8507)	*$2,057*	*$0*	*$57,525*	*$0*

Background. The Department of Health Care Access and Information (HCAI) collects and disseminates information about California's healthcare infrastructure, promotes an equitably distributed healthcare workforce, and publishes information about healthcare outcomes. HCAI also monitors the construction, renovation, and seismic safety of hospitals and skilled nursing facilities, and provides loan insurance to facilitate the capital needs of California's not-for-profit healthcare facilities.

Cal-Mortgage Loan Insurance Division. HCAI's Cal-Mortgage Loan Insurance Division administers the California Health Facility Construction Loan Insurance Program. Cal-Mortgage provides credit enhancement for eligible health care facilities when they borrow money for capital needs. Cal-Mortgage insured loans are guaranteed by the "full faith and credit" of California, which permits borrowers to obtain lower interest rates. Eligible health facilities must be owned and operated by private, nonprofit public benefit corporations or political subdivisions such as cities, counties, healthcare districts or joint powers authorities. Health facilities eligible for Cal-Mortgage include hospitals, skilled nursing facilities, intermediate care facilities, public health centers, clinics, outpatient facilities, multi-level facilities, laboratories, community mental health centers, facilities for the treatment of chemical dependency, child day care facilities (in conjunction with a health facility), adult day health centers, group homes, facilities for individuals with developmental disabilities, and office or central service facilities (in conjunction with a health facility). As of October 31st, 2023, Cal-Mortgage insures 58 loans with a total value of approximately $1.3 billion.

Facilities Development Division – Hospital Seismic Safety. In 1971, the Sylmar earthquake struck the northeast San Fernando Valley, killing 64 people and causing significant damage to structures. In particular, the San Fernando Veterans Administration Hospital in Sylmar, constructed in 1926 with unreinforced concrete, collapsed, resulting in the deaths of 44 individuals trapped inside the building. In addition, a more recently constructed psychiatric ward at Sylmar's Olive View Community Hospital collapsed during the quake, resulting in three deaths and the evacuation of more than 1,000 patients. In response to these tragic events, the Legislature approved the Alfred E. Alquist Hospital Facilities Seismic Safety Act (Alquist Act), which required hospitals to meet stringent construction standards to ensure they are reasonably capable of providing services to the public after a disaster. In 1983, the act was amended

to transfer all hospital construction plan review responsibility from local governments to HCAI, creating the state's largest building department, the Facilities Development Division.

In 1994, the Northridge earthquake struck the San Fernando Valley again, resulting in major structural damage to many hospitals constructed prior to the Alquist Act, many of which were evacuated. In contrast, hospitals constructed in compliance with Alquist Act standards resisted the Northridge earthquake, suffering very little structural damage. In response, the Legislature approved SB 1953 (Alquist), Chapter 740, Statutes of 1994, which amended the Alquist Act to require hospitals to evaluate and rate all general acute care hospital buildings for seismic resistance according to standards developed by HCAI to measure a building's ability to withstand a major earthquake. SB 1953 and subsequent HCAI regulations also require hospitals to submit plans to either retrofit or relocate acute care operations according to specific timeframes.

Health Care Workforce Development Division. HCAI administers programs designed to increase access to healthcare to underserved populations and provide a culturally competent healthcare workforce. Specifically, HCAI encourages demographically underrepresented groups to pursue healthcare careers, incentivizes primary care and mental health professionals to work in underserved communities, evaluates new and expanded roles for health professionals and new health delivery alternatives, designates health professional shortage areas, and serves as the state's central repository of health education and workforce data.

California Health Workforce Education and Training Council. HCAI's health care workforce development programs are coordinated by the California Health Workforce Education and Training Council. The council is composed of 18 members who represent graduate medical education and training programs, health professionals, and consumer representatives. Six members are appointed by the Governor, three members are appointed by the Speaker of the Assembly, and three members are appointed by the Senate Rules Committee. In addition, the council includes the following individuals or their designees: the Director of the Department of Health Care Services, the Director of the Department of Health Care Access and Information, the Secretary of Labor and Workforce Development, the President of the University of California, the Chancellor of the California State University, and the Chancellor of the California Community Colleges.

HCAI awards scholarships and loan repayments to aspiring health professionals and graduate students who agree to provide direct patient care in medically underserved areas for one to four years. HCAI serves as California's Primary Care Office supporting the state's healthcare workforce through pipeline development, training and placement, financial incentives, systems redesign, and research and policy with a focus on underserved and diverse communities.

Loan Repayments, Scholarships, and Grants. HCAI's Workforce Development Division administers a myriad of loan repayment, scholarship, and grant programs to support students, graduates, and institutions providing direct patient care in areas of unmet need. Loan repayment programs include: 1) the Bachelor of Science Nursing Loan Repayment Program, 2) the California State Loan Repayment Program, 3) the County Medical Services Loan Repayment Program, 4) the Licensed Mental Health Services Provider Education Program, 5) the Licensed Vocational Nurse Loan Repayment Program, and 6) the Steven M. Thompson Physician Corps Loan Repayment Program.

Scholarship programs include: 1) the Allied Healthcare Scholarship Program, 2) the Advanced Practice Healthcare Scholarship Program, 3) the Associate Degree Nursing Scholarship Program, 4) the Bachelor of Science Nursing Scholarship Program, 5) the Licensed Vocational Nurse to Associate Degree Nursing Scholarship Program, 6) the Vocational Nurse Scholarship Program, 7) the Train New Trainers Primary Care Psychiatry Fellowship Scholarship Program, 8) the Primary Care Training and Education in Addiction Medicine Fellowship Scholarship Program, 9) the Behavioral Health Scholarship Program, and 10) the Golden State Social Opportunities Program.

Grant programs include: 1) the Song-Brown Healthcare Workforce Training Program, 2) Behavioral Health Programs, 3) the Health Professions Careers Opportunity Program, 4) Rural Health Grant Programs, and 5) Healthcare IT Workforce Programs.

Workforce Development Initiatives. In addition to its loan repayment, scholarship and grant programs, HCAI is a partner in advancing a number of state initiatives with workforce development components, including:

- Children and Youth Behavioral Health Initiative – As part of a $4.4 billion investment over five years to improve behavioral health access and outcomes for children and youth from zero to age 25, HCAI administers several workforce development initiatives including: 1) increasing training capacity for psychiatry and social workers, 2) creating a wellness coach and counselor workforce, 3) developing a substance use disorder workforce, 4) building a behavioral health workforce pipeline, 5) building "earn and learn" apprenticeship models, 6) enhance training to serve justice- and system-involved youth, 7) enhancing behavioral health training for primary care providers, 8) targeting professionals to medically underserved areas and populations, 9) expand peer personnel training and placement programs, and 10) augment HCAI programs to support behavioral health disciplines.

- Community Health Workers/Promotores/Representatives (CHW/P/Rs) – This initiative, in partnership with the Department of Health Care Services, is meant to standardize certification requirements and conditions for participation in Medi-Cal for community health workers, promotores, and representatives (CHW/P/Rs).

- Twenty-First Century Nursing Initiative – The 2022 Budget Act included $220 million to address the largest issues facing our nursing workforce and supporting the development of that workforce in a way that meets California's health care needs. This initiative is subject to delays proposed in the Governor's January budget.

- Reproductive Health Care Access Initiative – The 2022 Budget Act included $120 million to establish and administer five programs designed to support and expand abortion, abortion-related care, and reproductive services across the state including: 1) Clinical Infrastructure scholarship and loan repayment program, 2) Capital Infrastructure program to enhance physical and digital security infrastructure, 3) Uncompensated Care Fund, 4) Abortion Practical Support Fund, and 5) California Reproductive Health Service Corps.

Health Workforce Pilot Projects Program. HCAI administers the Health Workforce Pilot Projects (HWPP) Program to allow organizations to test, demonstrate, and evaluate new or expanded roles for

healthcare professionals, or new healthcare delivery alternatives before licensing laws are made by the Legislature. Current projects include expansions for community paramedicine and allied dental providers.

Information Services Division. The Information Services Division (ISD) collects and disseminates timely and accurate healthcare quality, outcome, financial, and utilization data, and produces data analyses and other products.

Information Technology Services and Support. The division supports operations, data collection, and reporting functions through maintenance of technical infrastructure and enterprise systems, including IT customer support, project portfolio management, and enterprise architecture.

Data Collection and Management. The division collects and publicly discloses facility level data from more than 6,000 licensed healthcare facilities including hospitals, long-term care facilities, clinics, home health agencies, and hospices. These data include financial, utilization, patient characteristics, and services information. In addition, approximately 450 hospitals report demographic and utilization data on approximately 16 million inpatient, emergency department, ambulatory surgery patients, and by physician, about heart surgery patients.

Healthcare Data Analytics. The division produces more than 100 data products, including maps and graphs, summarizing rates, trends, and the geographic distribution of services. Risk-adjusted hospital and physician quality and outcome ratings for heart surgery and other procedures are also published. The division conducts a wide range of special studies on such topics as preventable hospital admissions and readmission, trends in care, and racial or ethnic disparities. The division also provides information to the public on non-profit hospital and community benefits, and hospital prices and discount policies.

Engagement and Technical Assistance. The division provides assistance to the members of the public seeking to use HCAI data and, upon request, can produce customized data sets or analyses for policymakers, news media, other state departments, and stakeholders.

Office of Health Care Affordability. The 2022 Budget Act established within HCAI the Office of Health Care Affordability (OHCA) to analyze and help constrain the growth of the cost of health care in California. The Office is governed by an eight-member Health Care Affordability Board, with four members appointed by the Governor and confirmed by the Senate, one member each appointed by the Senate Committee on Rules and the Speaker of the Assembly, the Secretary of Health and Human Services, and the Chief Health Director of the California Public Employment Retirement System (CalPERS). OHCA's primary responsibilities are to analyze the health care market for cost trends and drivers of spending, develop data-informed policies for lowering health care costs for consumers and purchasers, create a state strategy for controlling the cost of health care, ensure affordability for consumers and purchasers, and enforce cost targets. The first cost target will be developed for the 2025 calendar year, for reporting purposes only. The 2026 cost target will be the first in which enforcement action will be taken against providers that fail to meet the target. Enforcement actions will be progressive, beginning with technical assistance or corrective action plans, and could result in financial penalties.

CalRx. CalRx was established by SB 852 (Pan), Chapter 207, Statutes of 2020, the California Affordable Drug Manufacturing Act of 2020. CalRx is authorized to develop, produce, and distribute generic drugs and sell them at low cost. The program will target prescription drugs where the pharmaceutical market

has failed to lower drug costs, even when a generic or biosimilar medication is available. The current projects in development by CalRx include:

- Biosimilar Insulin Initiative – CalRx has partnered with CivicaRx, a non-profit pharmaceutical company, to develop the most popular short- and long-acting types of insulin. The 2022 Budget Act included $50 million to support development of the insulin product and $50 million to establish an insulin manufacturing facility based in California. According to CivicaRx, the manufacturer suggested retail price for a 10mL vial of insulin will be no more than $30, and a five-pack of 3mL pens will be no more than $55. Californians and their health insurers commonly pay $300 per vial and $500 for a five-pack of pens in the current marketplace.

- Naloxone Access Initiative – CalRx will partner with a pharmaceutical company who can develop, make, and distribute naloxone nasal spray at a much lower cost. The 2023 Budget Act included $30 million from the Opioid Settlements Fund to support this project.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested HCAI to respond to the following:

1. Please provide a brief overview of HCAI's mission and programs.

2. Please provide a status update on implementation of the Office of Health Care Affordability, including statutory and regulatory milestones achieved, evaluation and analysis of cost growth targets, and expected timelines for future actions to restrain the growth of health care costs in California.

3. Please provide a status update on development of biosimilar insulin and improving access to naloxone through CalRx.

Issue 2: CalRx Technical Adjustment

Budget Change Proposal – Governor's Budget. HCAI requests three positions, supported with previously approved expenditure authority, to administer the Naloxone Access Initiative at CalRx.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
3397 – Opioid Settlements Fund	$-	$-
Total Funding Request:	**$-**	**$-**
Total Requested Positions:	**3.0**	**3.0**

* Positions ongoing after 2025-26.

Background. The 2022 Budget Act included expenditure authority from the Opioid Settlements Fund of $30 million to implement the CalRx Naloxone Initiative. The initiative will support development, manufacturing, or procurement of a low-cost version of a naloxone nasal product. According to HCAI, a more affordable version of naloxone will enable the state to leverage its purchasing power to make the drug more accessible in communities across California. Of the $30 million allocated for the initiative, $27.6 million was allocated to support the development, manufacturing, or procurement of the drug, and $2.4 million was allocated to HCAI to support administration of the program.

Staffing Request. HCAI requests three positions, supported with previously approved expenditure authority, to administer the Naloxone Access Initiative at CalRx. While $2.4 million was allocated for administration of the program, no position authority was established. This request would permanently establish three positions, as follows:

- One **Associate Governmental Program Analyst** would support program administration in collaboration with multidisciplinary HCAI staff, including administration, legal, external affairs and communications, and information services.
- One **Research Data Specialist II** position would apply research methodologies, including problem exploration and definition, data analysis, explanation of methods, and interpretation of findings pertaining to the development, procurement, or distribution of various medications targeted under the CalRx program, including evaluation of strategies to ensure equitable access.
- One **Health Program Specialist II** position would provide program planning project management expertise and oversight to monitor, report and troubleshoot issues for target drug initiatives under CalRx.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested HCAI to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 3: Alignment of Health Workforce Development Program

Budget Change Proposal – Governor's Budget. HCAI requests 16 positions, supported by previously authorized expenditure authority, to implement new and expanding health workforce development programs and initiatives.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0001 – General Fund	$-	$-
Total Funding Request:	**$-**	**$-**
Total Requested Positions:	**16.0**	**16.0**

* Positions ongoing after 2025-26.

Background. HCAI administers programs designed to increase access to healthcare to underserved populations and provide a culturally competent healthcare workforce. Specifically, HCAI encourages demographically underrepresented groups to pursue healthcare careers, incentivizes primary care and mental health professionals to work in underserved communities, evaluates new and expanded roles for health professionals and new health delivery alternatives, designates health professional shortage areas, and serves as the state's central repository of health education and workforce data.

In recent years, the Legislature has approved several significant healthcare workforce initiatives to address shortages in primary care, behavioral health and other health professionals in California's healthcare system. According to HCAI, the 2021 Budget Act expanded HCAI's health workforce funding from $170 million to over $800 million including the Children and Youth Behavioral Health Initiative, the Health Professions Career Opportunity Program, and ongoing support for the Song-Brown Healthcare Workforce Training Program. The 2022 Budget Act expanded health workforce programs by an additional $180 million for community health workers, the Comprehensive Nursing Initiative, the Social Work Initiative, expansion of behavioral health education, reproductive health initiatives, and nursing support in the Song-Brown program.

During these expansions, the overall funding for health workforce development has increased over four-fold, while the position authority has doubled from 36 positions to 73 positions.

Staffing Request. HCAI requests 16 positions, supported by previously authorized expenditure authority, to implement new and expanding health workforce development programs and initiatives. These positions would support the following functions within HCAI:

Alignment of Existing Program Support – Three positions would provide operational support and high-level workforce policy and strategy.

- One **Career Executive Appointment A** position would serve as Senior Policy Advisor to oversee health workforce policy and research agenda development, strategic direction-setting, and ensuring HCAI delivers on its objectives to increase and diversify a health workforce that serves underserved communities and populations.
- One **Program Technician II** position would provide administrative support to senior leadership.

- One **Associate Governmental Program Analyst (AGPA)** would support the budget, accounting, invoicing, and contracting workflows across health workforce development programs to include ongoing statewide initiatives.

Operations Support for Program Development – Three positions would serve as a Project Management Unit to ensure health workforce projects are progressing successfully based on consistent project management practices across the division.

- One **Health Program Specialist I** position would support development of the Project Management Unit and serve as lead staff in providing long-term project management support services to the department's new and expanding workforce development programs.
- Two **AGPAs** would support the development of the Project Management Unit and provide support in developing project management plans and supporting the implementation and evaluation of existing and new programs to ensure the workforce development program portfolio is meeting the needs of underserved communities and Medi-Cal members.

Capacity to Support New and Expanded Grant Program Implementation – Six positions would support administration of grants in new and expanded programs.

- Three **AGPAs** would support ongoing administration of scholarship, loan repayment, education capacity, and training programs, and complete the rebalancing of workload to ensure HCAI has the capacity to support the increase and oversight of grant awards for future years.
- One **Program Technician II** position would support the increased number of awards, including assisting in processing grant agreements, tracking and monitoring program reports, processing invoices to ensure awardees receive timely payments, and perform general administrative duties.
- Two **Staff Services Manager I** positions would support realignment of the division's grant administration and manage two new units consisting of the grant staff in this proposal and existing grant staff.

Health Workforce Research and Data Center Structural Capacity Support – Four positions would support expanded demand for health workforce data and analysis generated by HCAI, CalHHS, program partners and stakeholders.

- One **Research Data Supervisor I** position would be responsible for supervision of the Data Support Services Unit.
- One **Research Data Specialist I** position would be responsible for health workforce data management, data analysis, integrating Research Data Center and Program data, and workforce data and research support.
- Two **Research Data Analyst II** positions would be responsible for health workforce data management, custom data requests, grant program evaluation, and workforce program analytical support.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested HCAI to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 4: Healthcare Workforce Delays and Reversions

General Fund and Mental Health Services Fund Budget Solution – Governor's Budget. HCAI requests to revert expenditure authority of $14 million ($7 million General Fund and $7 million Mental Health Services Fund) and delay expenditure authority of $329.5 million ($140.1 million General Fund and $189.4 million Mental Health Services Fund) approved in the 2022 and 2023 Budget Acts for several health care workforce development programs. The programs that would be reverted or delayed are as follows:

- *Psychiatry Loan Repayment Program Reversion and Delay.* $14 million ($7 million General Fund and $7 million Mental Health Services Fund) would be reverted from resources allocated in the 2022 and 2023 Budget Acts to support a psychiatry loan repayment program for psychiatrists who agree to a term of service at the Department of State Hospitals. $7 million Mental Health Services Fund from 2023-24 would be delayed until 2025-26 to support a psychiatry loan repayment program for psychiatrists who agree to a term of service providing care for a local behavioral health department.
- *Comprehensive Nursing Initiative Delay.* $70 million General Fund from 2024-25 would be delayed until 2025-26 to support the Comprehensive Nursing Initiative.
- *Social Work Initiative.* $51.9 million Mental Health Services Fund from 2023-24 and $70.1 million General Fund from 2024-25 would be delayed until 2025-26 to support the Social Work Initiative.
- *Addiction Psychiatry and Addiction Medicine Fellowships.* $48.5 million Mental Health Services Fund from 2023-24 would be delayed until 2025-26 to support addiction psychiatry and addiction medicine fellowships.
- *University and College Training Grants for Behavioral Health Professionals.* $52 million Mental Health Services Fund from 2023-24 would be delayed until 2025-26 to support university and college training grants for behavioral health professionals.
- *Expand Masters in Social Work Slots at Public Schools of Social Work.* $30 million Mental Health Services Fund from 2023-24 would be delayed until 2025-26 to support expansion of Masters in Social Work slots at public schools of social work.

Health Care Workforce Investments Delays and Reversions			
Psychiatry Loan Repayment Program			
Fund Source	**2023-24**	**2024-25**	**2025-26**
General Fund	**($7,000,000)**	**$-**	**$-**
Mental Health Services Fund	**($14,000,000)**	**$-**	**$7,000,000**
Comprehensive Nursing Initiative			
Fund Source	**2023-24**	**2024-25**	**2025-26**
General Fund	**$-**	**($70,000,000)**	**$70,000,000**
Mental Health Services Fund	**$-**	**$-**	**$-**
Social Work Initiative			
Fund Source	**2023-24**	**2024-25**	**2025-26**
General Fund	**$-**	**($70,100,000)**	**$70,100,000**
Mental Health Services Fund	**($51,900,000)**	**$-**	**$51,900,000**
Addiction Psychiatry and Addiction Medicine Fellowships			

Fund Source	2023-24	2024-25	2025-26
General Fund	**$-**	**$-**	**$-**
Mental Health Services Fund	**($48,500,000)**	**$-**	**$48,500,000**
University and College Training Grants for Behavioral Health Professionals			
Fund Source	**2023-24**	**2024-25**	**2025-26**
General Fund	**$-**	**$-**	**$-**
Mental Health Services Fund	**($52,000,000)**	**$-**	**$52,000,000**
Expand Masters in Social Work Slots at Public Schools of Social Work			
Fund Source	**2023-24**	**2024-25**	**2025-26**
General Fund	**$-**	**$-**	**$-**
Mental Health Services Fund	**($30,000,000)**	**$-**	**$30,000,000**

Background. The 2022 Budget Act included expenditure authority of $195.1 million ($185.1 million General Fund and $10 million Mental Health Services Fund) in 2022-23, and General Fund expenditure authority of $134.1 million in 2023-24, $34.1 million in 2024-25, and $3.2 million in 2025-26 for investments in workforce development for providers of services in the fields of behavioral health, primary care, and public health. These investments included the following:

Behavioral Health

- *Addiction Psychiatry and Addiction Medicine Fellowship Programs* - $25 million annually for two years to support additional slots for Addiction Psychiatry and Addiction Medicine Fellowship programs.
- *University and College Training Grants for Behavioral Health Professionals* - $26 million annually for two years to support 4,350 licensed behavioral health professionals through grants to existing university and college training programs, including partnerships with the public sector.
- *Expand Masters in Social Work (MSW) Slots at Public Schools of Social Work* - $30 million annually for two years to support grants to public schools of social work to immediately expand the number of MSW students. $27 million would support the 18 California State University programs and $3 million would support the two University of California programs.
- *Graduate Medical Education and Loan Repayment for Psychiatrists* - $19 million annually for two years to support two training programs for psychiatrists: 1) $5 million annually for two years for graduate medical education slots for psychiatrists, 2) $7 million annually for two years to support loan repayment for psychiatrists that agree to a five year service commitment at the Department of State Hospitals, and 3) $7 million annually for two years to support loan repayment for psychiatrists that agree to a five-year service commitment to provide psychiatric services in a local public behavioral health system with an emphasis on prevention and early intervention services for individuals with serious mental illness likely to become justice-involved or are, or at risk of, experiencing homelessness.

Primary Care

- *Additional Primary Care Residency Slots in Song-Brown* - $10 million annually for three years to support additional primary care residency slots in the Song-Brown Primary Care Residency Program.

- *Clinical Dental Rotations* - $10 million one-time to support new and enhanced community based clinical education rotations for dental students to improve the oral health of underserved populations.
- *Health Information Technology (IT) Workforce* - $15 million one-time to support health IT workforce recruitment and training for health clinics and other providers in underserved communities.
- *California Reproductive Health Service Corps* - $20 million one-time to support targeted recruitment and retention resources, and training programs to ensure a range of clinicians and other health workers can receive abortion training.
- *Certified Nurse Midwives Training* - $1 million one-time to allow certified nurse-midwives to participate in the Song-Brown program, consistent with the Midwifery Workforce Training Act authorized by SB 65 (Skinner), Chapter 449, Statutes of 2021.
- *Nurse Practitioner Postgraduate Training* - $4 million one-time to support Nurse Practitioner postgraduate training slots in primary care within underserved communities through the Song-Brown Healthcare Workforce Training Program.
- *Physician Assistant Postgraduate Training* - $1 million one-time to support Physician Assistant postgraduate training slots in primary care within underserved communities through the Song-Brown Healthcare Workforce Training Program.
- *Golden State Social Opportunities Program* - $10 million Mental Health Services Fund one-time to support postgraduate grants for behavioral health professionals that commit to working in a nonprofit eligible setting for two years, with priority given to individuals that are current or former foster youth and homeless youth.

The 2022 Budget Act also included General Fund expenditure authority of $677.4 million over three years to support the following care economy workforce development investments:

- *Community Health Workers* - $281.4 million over three years to recruit, train and certify 25,000 new community health workers by 2025, with specialized training to work with varying populations, such as justice-involved, people who are unhoused, older adults, or people with disabilities. The Legislature also approved trailer bill language to require HCAI to develop requirements for community health worker certificate programs, and establish other requirements for community health worker certification and renewal.
- *Comprehensive Nursing Initiative* - $220 million over three years to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions.
- *Social Work Initiative* - $126 million over three years to increase the number of social workers trained in the state by supporting social work training programs and providing stipends and scholarships for working people to create a new pipeline for diverse social workers who cannot otherwise afford the financial or time investment required to complete full-time training programs.
- *Nursing in Song-Brown* - $50 million over three years to support nurse training slots in the Song-Brown Healthcare Workforce Training Program.

The 2023 Budget Act, to address a General Fund shortfall, implemented a package of delays and fund shifts to a number of the healthcare workforce programs adopted in the 2022 Budget Act. These delays and fund shifts included the following:

- *Community Health Workers.* Delay of $115 million General Fund from 2023-24 until 2024-25 ($57.5 million) and 2025-26 ($57.5 million).

- *Addiction Psychiatry and Addiction Medicine Fellowship Programs.* Shift of $48.5 million from General Fund to Mental Health Services Fund in 2023-24.
- *University and College Training Grants for Behavioral Health Professionals.* Shift of $52 million from General Fund to Mental Health Services Fund in 2023-24.
- *Expand Masters in Social Work Slots at Public Schools of Social Work.* Shift of $30 million from General Fund to Mental Health Services Fund in 2023-24.
- *Social Work Initiative.* Shift of $51.9 million from General Fund to Mental Health Services Fund in 2023-24.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested HCAI and the Department of Finance to respond to the following:

1. Please provide a brief overview of these proposed reversions and delays.

2. Please provide a status update of implementation of the health care workforce programs adopted in the 2022 Budget Act, including timelines of release of application periods for funding or grants, expected outcomes and expected timing of expenditures by fiscal year.

4800 CALIFORNIA HEALTH BENEFIT EXCHANGE (COVERED CALIFORNIA)

Issue 1: Overview and Open Enrollment Update

Background. The federal Patient Protection and Affordable Care Act (ACA) implemented significant improvements to health care coverage offered in the individual health insurance market. Beginning in September 2010, ACA individual market reforms:

1. Eliminated lifetime limits on coverage.
2. Prohibited post-claims underwriting and rescission of policies.
3. Required health plans to offer coverage to dependent children up to age 26.
4. Eliminated pre-existing condition exclusions for children.
5. Eliminated copays and other cost sharing provisions for 45 preventive services.
6. Required health plans to spend at least 85 percent of premium dollars on health expenditures or provide rebates to customers (effective January 2012).

According to federal data, by 2013, more than eight million Californians received access to no-cost preventive services and 1.4 million residents with private insurance coverage received $65.7 million in insurance company rebates.

Beginning in January 2014, the ACA implemented additional market reforms and required establishment of health benefit exchanges, which provide federally subsidized health care coverage to individuals with incomes between 138 and 400 percent of the federal poverty level (FPL). California established its own health benefit exchange, Covered California, funded by assessments on health plan premiums. Covered California offers several options for individual health care coverage negotiated for cost and quality with health plans. Enrollment occurs during an annual open enrollment period that begins November 1 and ends January 31. The ACA requires all health insurance products, with some exceptions, to cover certain essential health benefits to be considered minimum essential coverage. These benefits include:

- Ambulatory patient services
- Prescription drugs
- Emergency services
- Rehabilitative and habilitative services and devices
- Hospitalization
- Laboratory services
- Maternity and newborn care
- Preventive and wellness services and chronic disease management
- Mental health and substance use disorder services, including behavioral health treatment
- Pediatric services, including oral and vision care

Metal Tiers for Health Insurance Products in Covered California. Consumers purchasing coverage in the Covered California health benefit exchange may choose from different "metal tiers" that determine the level of coverage and cost-sharing amounts provided by the product. According to Covered California, the metal tiers provide coverage as follows:

- **Bronze:** On average, Bronze health plans pay 60 percent of medical expenses, and consumers pay 40 percent.

- **Silver:** On average, Silver health plans pay 70 percent of medical expenses, and consumers pay 30 percent. Certain income-eligible individuals may qualify for an Enhanced Silver plan, which provides coverage with lower cost-sharing. Individuals in these savings categories get the benefits of a Gold or Platinum plan for the price of a Silver plan. The three categories of Enhanced Silver plans pay 94, 87 or 73 percent of medical expenses.

- **Gold:** On average, Gold health plans pay 80 percent of medical expenses, and consumers pay 20 percent.

- **Platinum:** On average, Platinum health plans pay 90 percent of medical expenses, and consumers pay 10 percent.

Figure 1. Metal Tiers of Coverage in Covered California Health Benefit Exchange
Source: *Covered California website: "Coverage Levels/Metal Tiers" https://www.coveredca.com/individuals-and-families/getting-covered/coverage-basics/coverage-levels/*

Advance Premium Tax Credit Subsidies. The ACA subsidizes health care coverage purchased in health benefit exchanges, such as Covered California, for individuals between 138 and 400 percent of the FPL. The subsidies are provided in the form of advance premium tax credits (APTC), which reduce the amount of premium paid by income-eligible consumers purchasing coverage on the exchange. The amount of the APTC is linked to the cost of the second-lowest cost Silver plan in a consumer's coverage region. The APTC is meant to ensure that consumers are required to spend no more than two percent to 9.6 percent of their income for Silver plan premiums. Consumers may use the APTC subsidy amount to purchase other metal tiers of coverage that may be less expensive (e.g. Bronze) or more expensive (e.g. Gold or Platinum).

Individual Mandate Penalty and Cost-Sharing Reductions. In addition to individual market reforms and new coverage options, the ACA eliminated pre-existing condition exclusions for adults beginning in 2014, and imposed a requirement that individuals enroll in health plans that offer minimum essential coverage or pay a penalty, known as the individual mandate penalty. The individual mandate penalty was designed to stabilize premiums by encouraging healthy individuals to enroll in health coverage and reduce the overall acuity of health insurance risk pools. Because health plans cannot deny coverage based on a pre-existing condition, in the absence of a mandate penalty, individuals may delay enrolling in coverage until they are diagnosed with a high-cost health condition, resulting in higher overall plan expenditures, which lead to higher premiums. The ACA also limited the amount of cost-sharing that could be required of plan beneficiaries with incomes under 250 percent of the FPL. These cost-sharing reductions result in

savings to beneficiaries on deductibles, copayments, coinsurance, and maximum out-of-pocket costs. Until 2017, the federal government provided cost-sharing reduction subsidies to health plans to help mitigate the costs of limiting cost-sharing amounts for these beneficiaries. These subsidies were designed to maintain those cost-sharing limits while reducing higher premium costs that would otherwise be required.

Elimination of Cost Sharing Reduction Subsidies and Repeal of Individual Mandate. In October 2017, the federal Administration eliminated cost-sharing reduction subsidies that prevented premium growth due to ACA requirements that limited cost-sharing for health plan beneficiaries with incomes under 250 percent of the FPL. According to Covered California, the loss of these subsidies resulted in an annual reduction of approximately $750 million of federal funds available to reduce premiums. According to the Kaiser Family Foundation, health plans imposed resulting cost-sharing reduction surcharges ranging from seven to 38 percent on premiums beginning in 2018. In addition, recently enacted federal tax legislation included a reduction to zero of the individual mandate penalty for failing to purchase health care coverage. The reduction took effect for coverage in the 2019 calendar year.

State Subsidy Program and State Individual Mandate Penalty. The 2019 Budget Act included General Fund expenditure authority of $428.6 million in 2019-20, $479.8 million in 2020-21, and $547.2 million in 2021-22 to provide state premium subsidies for individuals up to 600 percent of the FPL purchasing health care coverage in Covered California. Approximately 17 percent of the funds supplemented federal APTC subsidies for individuals with incomes between 200 and 400 percent of the FPL (between $51,500 and $103,000 for a family of four) and approximately 83 percent for individuals with incomes between 400 and 600 percent of the FPL (between $103,000 and $154,500 for a family of four). The funding also covered full premium costs for individuals below 138 percent of the FPL ($35,500 for a family of four). In addition, the 2019 Budget Act included trailer bill language to implement a penalty on individuals that fail to maintain minimum essential coverage during a coverage year, to encourage enrollment in the absence of the federal individual mandate penalty. The minimum penalty is $695 for adults in a household and $347.50 for each child. The revenue from the penalty was intended to offset General Fund expenditures for the state subsidy program. According to Covered California, as of June 2020, approximately 598,000 individuals received state subsidies, with 546,000 under 400 percent of the FPL receiving an average of $14 per month and 42,000 between 400 and 500 percent of the FPL receiving an average of $301 per month.

The Federal American Rescue Plan and Inflation Reduction Act Offer More Generous Subsidies. In March 2021, President Biden signed the American Rescue Plan (ARP), which makes a significant investment in advance premium tax credits (APTC) to improve affordability for consumers seeking health care coverage in health benefit exchanges, including Covered California. For the 2021 and 2022 plan years, the ARP removes the income eligibility cap on APTC premium subsidies, which previously limited subsidies to individuals at or below 400 percent of the FPL. The ARP provides subsidies so that no individual at any income level will have to pay more than 8.5 percent of their income for a silver plan in an ACA marketplace, such as Covered California. In addition, no individual with income below 150 percent of the FPL, or any individual that receives unemployment insurance payments at any point in 2021, will pay any premiums at all for silver level coverage.

As a result of the more generous subsidies provided by the ARP, the three-year state premium subsidy program implemented by the 2019 Budget Act was subsumed by the new federal subsidies. The state

subsidy program was designed to limit individuals between 400 and 600 percent of the FPL to spending between 9.68 percent and 18 percent of income on premiums. Because the ARP caps premiums at 8.5 percent for all income levels, no state premium subsidy is necessary to reach the required contribution levels included in the state premium subsidy design. As a result, the 2021 Budget Act reverted General Fund expenditure authority of $405.6 million in 2021-22 to reflect savings in the state subsidy program resulting from the more generous federal premium subsidies. On August 16, 2022, President Biden signed the Inflation Reduction Act, which extended the ARP subsidies through the 2025 plan year.

Health Care Affordability Reserve Fund. The 2021 Budget Act included trailer bill language to establish the Health Care Affordability Reserve Fund, as well as a transfer of General Fund resources of $333.4 million, which is the revenue the Administration estimated the state would receive from the individual mandate penalty. The reserve fund was meant to provide available resources to support state subsidies if the more generous federal subsidies are not extended beyond the 2022 coverage year, or if the state implements future health care affordability measures. The 2023 Budget Act included trailer bill language to permanently transfer revenues received from the individual mandate penalty into the Health Care Affordability Reserve Fund. Previously, these revenues were transferred directly to the General Fund and used to balance the state budget.

Cost-Sharing Reduction Subsidies. The 2023 Budget Act included expenditure authority from the Health Care Affordability Reserve Fund of $82.5 million in 2023-24 and $165 million annually thereafter to support a program of financial assistance for individuals purchasing coverage in the Covered California health benefit exchange. For the 2024 coverage year, these subsidies will result in elimination of deductibles and reduction in copayments and other health care cost sharing for more than 600,000 Californians. The Legislature also approved trailer bill language to require all revenues collected from the individual mandate penalty to be annually deposited in the Health Care Affordability Reserve Fund to be used by Covered California to improve affordability in the health benefit exchange.

2024 Open Enrollment Update. The 2024 Open Enrollment period began on November 1st, 2023, and closed on February 9th, 2024, for the 2024 coverage year. The 2024 Open Enrollment continued to benefit from implementation of more generous federal subsidies from the American Rescue Plan, extended by the Inflation Reduction Act, as well as implementation of a one-dollar state subsidy program to allow for zero-dollar premiums for income-eligible individuals and the cost-sharing reduction subsidy program established by the 2023 Budget Act.

According to Covered California, as of January 31, 2024, with nine days remaining of the open enrollment period, nearly 1.8 million Californians enrolled in coverage through the Covered California health benefits exchange, including nearly 1.5 million Californians renewing coverage and more than 306,000 newly enrolled. Covered California reports that the federal subsidies available through the Inflation Reduction Act, coupled with California's new cost-sharing reduction program, helped create the highest number of new enrollments during an open enrollment period since 2020.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested Covered California to respond to the following:

1. Please provide a brief overview of Covered California's mission and programs.

2. Please provide an update on enrollment in Covered California during the most recent open enrollment period.

3. Please provide an update on development of the program design for the 2025 Open Enrollment with the additional resources authorized in the 2023 Budget Act.

Issue 2: Health Care for Striking Workers

Oversight – Health Care for Striking Workers Program. AB 2530 (Wood), Chapter 695, Statutes of 2022, requires Covered California to administer a program of financial assistance to help Californians obtain and maintain health benefits through the exchange if they lose employer-provided health care coverage as a result of a labor dispute. Eligible individuals would receive the same premium assistance and cost-sharing reductions as an individual with a household income of 138.1 percent of the federal poverty level. The financial assistance provided under AB 2530 is subject to an appropriation by the Legislature.

The 2023 Budget Act included expenditure authority from the Health Care Affordability Reserve Fund of $2 million to support health care for striking workers under AB 2530. During the significant labor actions that occurred during the 2023 calendar year, such as those in the entertainment industry and the averted Teamsters UPS strike, proponents of AB 2530 raised concerns that a $2 million capped appropriation would not have been sufficient to support the need for health care coverage for workers involved in those labor actions. Under a capped appropriation, workers who lose health care coverage as a result of a strike or other labor dispute late in the Covered California coverage year would not be able to participate in this program, as approved by the Legislature and the Governor in AB 2530, if there had been significant previous labor activity that utilized the entire $2 million appropriation before the loss of health care coverage occurred.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested Covered California and the Department of Finance to respond to the following:

1. Please provide an overview of the health care for striking workers program, including the number of workers affected in 2023 and the amount of state expenditures for the program.

2. What is the rationale for a specific, capped appropriation for a program with significant uncertainty of annual expenditures, rather than a continuous appropriation or another mechanism to augment expenditure authority to meet emergent needs of the program?

Issue 3: Proposal for Investment

Proposal for Investment. The subcommittee has received the following proposal for investment:

- **Health4All – Covered California Access Regardless of Immigration Status.** The California Immigrant Policy Center and Health Access California request General Fund expenditure authority of $15 million in 2024-25 and trailer bill language to facilitate the creation of a mirrored marketplace, as identical to the existing Covered California marketplace as is feasible, to ensure that all residents of California can shop for and enroll in coverage for themselves and their family members. According to the proponents, the creation of a mirrored marketplace would, for the first time, allow all Californians access to coverage via the Covered California exchange. In the same way that eliminating exclusions to the state's Medi-Cal program has resulted in hundreds of thousands of California residents being able to access much-needed preventative care, medications, diagnostic testing, and other services, a similar state-funded expansion of Covered California would afford over 500,000 Californians a chance to get covered and no longer rely on the emergency room as their only source of health care.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, March 7, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Child Care Rate Reform Update

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Jackie Barocio, Principal Fiscal & Policy Analyst, Legislative Analyst's Office (LAO)
- Kim Johnson, Director, California Department of Social Services (CDSS)
- Andrea Fernandez Mendoza, Early Care and Education Coalition
- Kimberly Rosenberger, Child Care Providers United (CCPU)
- Krishan Malhotra, Department of Finance

Background. California provides child care subsidies to some low-income families, including families participating in CalWORKs. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation ($83,172 annual income for a family of three and $96,300 for a family of four); and (3) children must be under the age of 13. The following chart, provided by the Legislative Analyst's Office (LAO), summarizes the state's major child care programs:

State's Major Child Care Programs

Program	Payment Type	Key Eligibility Requirements
CalWORKs Child Care	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are available for all eligible children.
Alternative Payment	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.
General Child Care	Direct contract	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.

Source: Legislative Analyst's Office

Subsidized Child Care. The Department of Social Services (CDSS) provides child care and development programs through vouchers and contracts.

- **Vouchers.** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR), a different amount in each county based on regional surveys of the cost of child care. Beginning in 2022, the RMR was set to the 75th percentile of the 2018 RMR survey. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts.** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations – must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDSS or the Department of Education (CDE), depending on the type of program. Prior to 2022, these programs received the same reimbursement rate (depending on the age of the child), regardless of where in the state the program was located, known as the Standard Reimbursement Rate (SRR). The rate was increased by a statutory adjustment factor for infants, toddlers, children with exceptional needs, severe disabilities, cases of neglect, and English learners. Beginning in 2022, these programs receive the higher of the current RMR or the SRR as part of an effort to transition providers to one rate system. All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of vouchers and fixed funding amount for slots, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective bargaining rights to child care providers in California, allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. Child Care Providers United - California (CCPU) represents voucher and direct contract providers that are family child care homes, or license-exempt home providers. In 2021, CCPU and the state negotiated their first Master Contract Agreement. The 2021 Budget Act included ratification of the CCPU bargaining contracts, which included rate increases, provider stipends, hold harmless policies, and a variety of other supports. In addition, the contracts included a process for continuing conversations through Joint Labor Management Committees on a single reimbursement rate system, and other provider needs such as retirement, and healthcare, among other topics. The 2023 Budget Act included ratification of a second CCPU collective bargaining agreement, ratified in July 2023, which is summarized below.

Background on Child Care Rate Reform. Pursuant to the 2021 Budget Act, CDSS, in consultation with CDE, convened a Rate Reform and Quality Workgroup to assess the methodology for establishing

reimbursement rates and the existing quality standards for child care and development and preschool programs, informed by evidence-based elements that best support child development and positive child outcomes. CDSS convened a series of meetings of the Rate and Quality Workgroup between January and August of 2022. The workgroup identified four core recommendations, which are detailed in the full report:

1. Ensure equity is foundational to all change. Work toward equity as an outcome and implement equity as a process.

2. Replace the current methodology of using a market price survey to set rates with an alternative methodology, which uses cost estimates/models to set base rates to compensate early learning and care programs. The costs of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.

3. Create a single rate structure that specifies base rates and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.

4. Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Additionally, the Rate and Quality Workgroup recommended a three-stage implementation process:

- **Stage 1.** Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.

- **Stage 2.** Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.

- **Stage 3**. Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments.

In addition, the Rate and Quality Workgroup delivered a study recommending a cost estimation model to calculate the cost of child care in California, which could form the foundation of the alternative methodology. The cost estimation model included a series of default scenarios based on variables and cost drivers aligned with the Workgroup's recommendations, for each provider type: child care center, small family child care home, large family child care home, and family, friend, and neighbor care.

In November 2022, the Joint Labor Management Committee (JLMC) presented their recommendations for a single rate reimbursement structure to the Administration. The JLMC recommends moving away from the current structure that relies on the RMR and towards a single rate structure that reflects the actual cost of care. This single rate will be based on (1) an alternative methodology that considers a cost

estimation model; (2) base rates; (3) incentives/enhancement rate-setting metrics; and (4) evaluation of the rate structure. The alternative methodology will include a base rate that providers receive for meeting current statutory and regulatory program standards, depending on program type.

2023 Budget Act. The 2023 Budget Act included over $2 billion to implement a two-year, collectively bargained early education and parity agreement between the state and CCPU. This package consists primarily of monthly per-child rate supplements, and also includes funding for one-time transitional payments, CCPU health, retirement, and training programs, reimbursement based on certified need, and a change in the part-time definition. The package includes parity for center-based child care providers who are not represented by CCPU (CCPU represents voucher and direct contract providers that are family child care homes or license-exempt home providers.) A summary of the two-year collectively bargained early education and parity agreement is included below:

Summary of Collectively Bargained Early Education and Parity Agreement

Across 2023-24 and 2024-25 (In Millions)

	Total Costs
Monthly per-child cost of care plus rate supplement[a]	$915
Administrative funds[b]	250
One-time transitional payment	229
CCPU Health Benefit Trust[c]	200
CCPU Retirement Benefit Trust[d]	160
Reimbursement based on certified need extension	155
Change of part-time definition	104
CCPU Training Fund[e]	15
Total	**$2,028**

[a]Monthly payments issued from January 1, 2024 through June 30, 2025.

[b]Includes administrative funds associated with monthly per-child cost of care rate supplement payments, one-time transitional payments, and other MOU-related activities. Administrative funds are allocated to counties, Alternative Payment agencies, direct contract providers, and a third-party contractor.

[c]Reflects maximum amount of potential annual deposits beginning April 1, 2024.

[d]Reflects initial $80 million deposit and maximum amount of potential annual deposit beginning July 1, 2024.

[e]Reflects maximum amount of potential annual deposit beginning July 1, 2024.

CCPU = Child Care Provider Union and MOU = Memorandum of Understanding.

Source: Legislative Analyst's Office

Move to Alternative Methodology for Setting Child Care Rates. The collectively bargained agreement with CCPU, which was codified in budget trailer bill language through SB 140 (Committee on Budget), Chapter 193, Statutes of 2023, requires CDSS, in collaboration with CDE, to develop and conduct an alternative methodology for a single rate structure. The alternative methodology is based on a new cost study and cost estimation model, rather than using the Regional Market Rate (RMR), which determines rates based on a percentile of regional costs in the private market.

SB 140 includes a series of milestones for CDSS to track progress towards developing a new single rate structure, based on the alternative methodology, and receiving federal approval. The SB 140 milestones are summarized below:

- **July 1, 2023:** CDSS, in consultation with CDE, shall begin the process of data collection and analysis to develop an alternative methodology, which shall build on the recommendations of the Rate and Quality Workgroup and the recommendations of the JLMC.

- **February 15, 2024:** CDSS, in collaboration with CDE and the JLMC, shall use information from the cost estimation model to define elements of the base rate and any enhanced rates to inform the state's proposed single rate structure. CDSS is required to report to the Legislature on progress made to conduct and alternative methodology and cost estimation model.

- **July 1, 2024:** CDSS shall submit the necessary information to support use of a single rate structure utilizing the alternative methodology to the federal Administration for Children and Families (CCDF) as part of the Child Care and Development Fund State Plan. SB 140 requires this information to be shared with the Legislature by July 10, 2024.

- **Within 60 days of ACF Approval:** CDSS shall provide the Legislature with an outline of the implementation components of the approved single rate structure, with 30 days for legislative review.

Progress toward rate reform. CDSS received pre-approval from ACF in August 2023 to move forward with a single rate structure based on an alternative methodology for setting child care rates. Between July and November, CDSS has worked with consultant P5 Fiscal Strategies to conduct public engagement, data collection, and to develop the cost estimation model. This public engagement work includes public meetings with the Rate and Quality Advisory Panel, over 100 virtual input sessions, multiple ad-hoc focus groups, and a survey to inform the development of the cost estimation model, which received over 9,250 responses.

CDSS has posted its draft Child Care State Plan for 2025-2027, which will include details on the single rate structure.[1] The ACF has recently provided states with flexibility to provide more details on their proposed rate structures after July 1, 2024, in recognition of several states transitioning to an alternative methodology for setting child care rates. CDSS anticipates meeting the July 1, 2024 deadline for submission to ACF.

[1] https://www.cdss.ca.gov/inforesources/child-care-and-development/fund-state-plan

Subcommittee Staff Comment and Recommendation – Informational item. No action is needed. While the submission and anticipated federal approval of California's Child Care and Development Fund State Plan will represent a major milestone towards implementing a new single rate structure for child care rates in California, it is not the final step. New reimbursement rates for child care providers will not take effect immediately upon federal approval because they need to be funded as part of the annual budget process. For example, the current structure the state uses to determine care rates is the 2018 Regional Market Rate (RMR) Survey, and the state reimburses child care providers at the 75th percent of this rate. The current two-year collectively bargained rates package expires June 30, 2025. After the federal government approves the new rate structure, the Legislature and the Governor will need to set new reimbursement rates to take effect July 1, 2025 and appropriate the funding necessary for implementation. Additionally, within 90 days of federal approval, CDSS and CCPU can reopen bargaining negotiations to restructure the current reimbursement rates and associated funding.

Questions. The Subcommittee requests LAO respond to the following:

1. Please provide an overview of the requirements, including statutory milestones outlined in SB 140 (Committee on Budget), Chapter 193, Statutes of 2023, for the Administration to move to a single rate structure for setting child care rates.

The Subcommittee requests CDSS and DOF respond to the following:

1. Please provide an update on the development of an alternative methodology, pursuant to SB 140 (Committee on Budget and Fiscal Review), Chapter 193, Statutes of 2023, and the MOU with Child Care Provider's United. Please describe the cost estimation model and how it functions. What steps to develop a cost estimation model and single rate structure have been completed so far? Please describe how the Administration is collaborating with the Joint Labor Management Committee and the Rate and Quality Advisory Panel to develop the cost estimation model.

2. Welfare and Institutions Code 10227.6(d) requires CDSS, in collaboration with CDE and the Joint Labor Management Committee, to use information from the cost estimation model to define elements of the base rate and any enhanced rates to inform the state's proposed single rate structure and rates, by February 15, 2024. CDSS is required to report to the Legislature on progress made to conduct an alternative methodology and cost estimation model. Please provide an update on when the report will be available to the Legislature.

3. Please describe the elements of the base rate and enhanced rates, based on the cost estimation model.

4. Please describe the Child Care State Plan Submission process, including recent guidance from the Administration on Children and Families providing flexibility to states as they develop alternative methodologies for setting child care rates. As the department works towards the statutory deadline of July 1, 2024 to submit the single rate structure to the Administration for Children and Families, how will the department update or amend the draft Child Care State Plan?

The Subcommittee requests Andrea Fernandez Mendoza, Early Care and Education Coalition, respond to the following:

1. How do current reimbursement rates affect child center-based child care providers' ability to retain staff and serve more children and families with high-quality child care? How would moving to a single rate structure based on the costs of care change this outlook?

2. As California moves to an alternative methodology for setting child care rates based on the actual costs of care, what are the important costs that the rate structure should take into account, especially for center-based providers?

The Subcommittee requests Kimberly Rosenberger, CCPU, respond to the following:

1. How do current reimbursement rates limit child family child care providers' ability to retain staff and serve more children and families with high-quality child care? How would moving to a single rate structure based on the costs of care change this outlook?

2. As California moves to an alternative methodology for setting child care rates based on the actual costs of care, what are the important costs that the rate structure should take into account, especially for family child care and family, friend, and neighbor providers?

PUBLIC COMMENT ON ISSUE 1

Issue 2: Proposed Delays to Home Safe and Housing and Disability Advocacy Programs

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Margot Kushel, MD, Director of UCSD Benioff Homeless Housing Initiative
- Claire Ramsey, Chief Deputy Director, California Department of Social Services
- Idalys Perez, Department of Finance
- Kelly Carpenter, Program Manager of Adult Services, Nevada County
- Susie Smith, Deputy Director of Policy, Planning, and Public Affairs, San Francisco Human Services Agency
- Patti Prunehuber, Director of Housing Advocacy, Justice in Aging
- Juwan Trotter, Fiscal & Policy Program Analyst, Legislative Analyst's Office

Budget Solution – Governor's Budget. The Governor's budget proposes the following delays to the Home Safe and Housing and Disability Advocacy (HDAP) Program:

- Home Safe: Delay of $65 million General Fund to 2025-26.

- HDAP: Delay of $50 million General Fund to 2025-26.

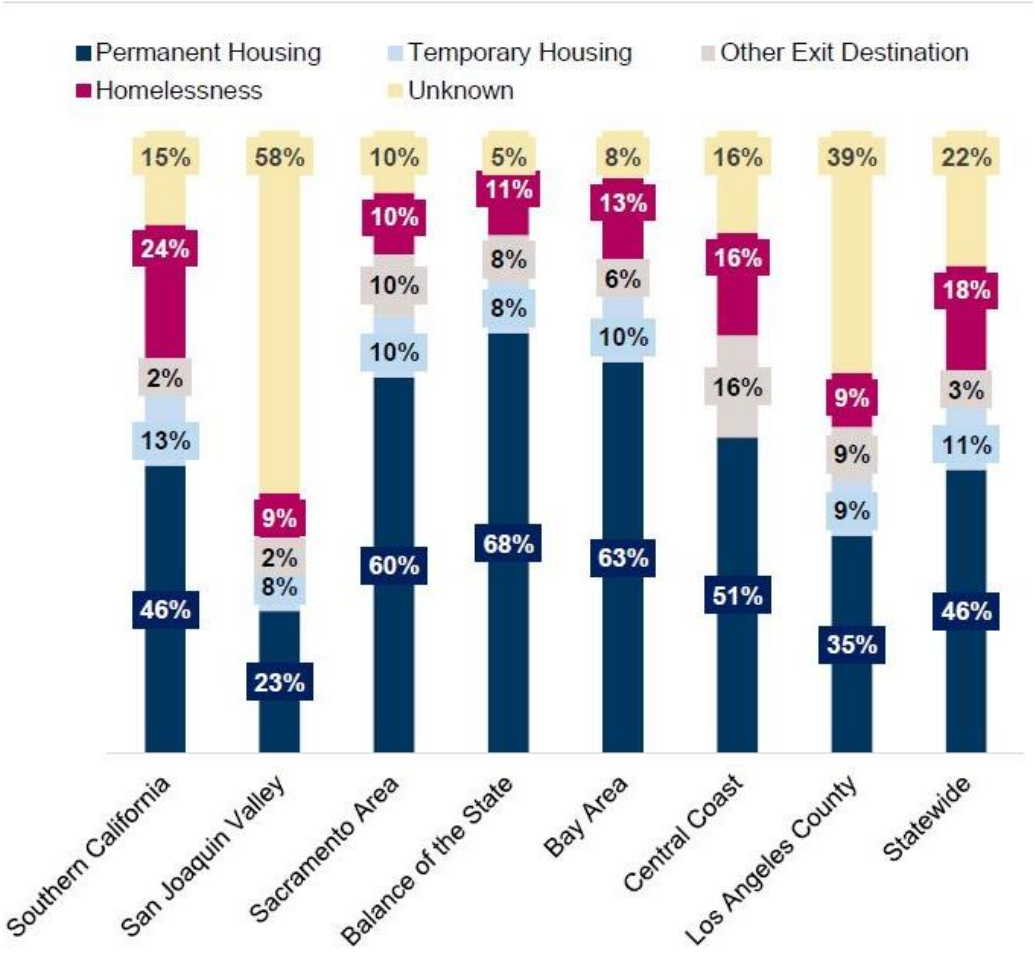
Seniors Experiencing Homelessness. According to the UCSF California Statewide Study of People Experiencing Homelessness, published in June 2023, the population of individuals experiencing homelessness in California is aging, and the proportion of older adults experiencing homelessness (defined as 50 or older) is increasing. Among single homeless adults in the study, 48 percent were 50 and older. Among single adults 50 and older, 41 percent became homeless for the first time at age 50 or older. [2]

According to CDSS, in recent years an increasing number of older adults and individuals with disabilities find themselves in need of housing support services. Statewide, in 2022, over 149,000 people experiencing homelessness and reporting disabling conditions accessed the homeless response system. In the first six months of 2023, California was on track to surpass that number with over 118,000 individuals already seeking services and reporting a disabling condition, and approximately 20 percent seeking services and being over the age of 55.[3]

Home Safe Program. Established in 2018 by AB 1811 (Committee on Budget), Chapter 35, Statutes of 2018, the Home Safe Program supports the safety and housing stability of individuals involved in Adult Protective Services (APS). Home Safe assists APS clients who are experiencing or are at imminent risk of homelessness due to elder or dependent adult abuse, neglect, self-neglect, or financial exploitation. Grantees operating local Home Safe programs utilize a range of strategies to prevent homelessness and support housing stability for eligible participants. Home Safe provides financial assistance and housing-related wrap-around supportive services, including, but not limited to: housing-related intensive case management, housing related financial assistance, deep cleaning to maintain safe housing, eviction

[2] Kushel, M., Moore, T., et al. (2023). Toward a New Understanding: The California Statewide Study of People Experiencing Homelessness. UCSF Benioff Homelessness and Housing Initiative.
[3] CDSS, Housing and Homelessness Division Annual Report, February 2024.

prevention, landlord mediation, facilitating mobility-related modifications to homes, connections with local service providers including the homeless Continuum of Care, and client-centered services on a voluntary basis. Home Safe is a state-funded, optional, non-entitlement program that is locally administered by participating counties and eligible tribal entities. Home Safe expanded since the initial pilot in 2018-19 when only 25 counties participated, to all 58 counties in 2021-22. 4,098 individuals were approved for Home Safe services in 2022-23. In 2022-23, 46 percent of participants exited into permanent housing, although significant variation occurred across regions, as demonstrated in the chart below:



Source: CDSS

Housing and Disability Advocacy Program (HDAP). HDAP assists people who are at risk of or experiencing homelessness and are likely eligible for disability benefits by providing advocacy for disability benefits as well as housing supports. HDAP provides outreach, case management, benefits advocacy, and housing support to individuals who are likely eligible for disability benefits and who are experiencing or at risk of homelessness. Housing-related financial assistance and wraparound supportive services may include, but are not limited to, interim housing, rental assistance, housing navigation, security deposits, utility payments, moving costs, legal services, and credit repair. People experiencing chronic homelessness and those who rely most heavily on state and county-funded services are prioritized.

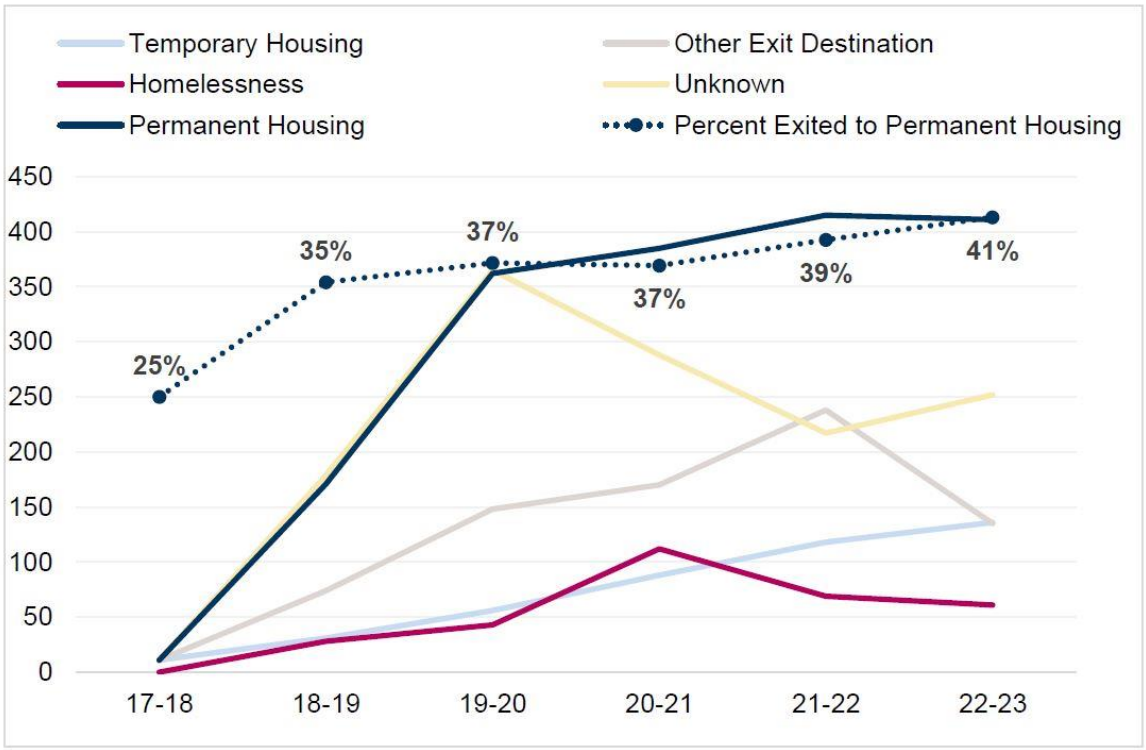
HDAP follows a Housing First model and uses evidence-based housing interventions. The program provides services and assistance with a client-centered approach on a voluntary basis. The program centers on client choice; acceptance of a housing placement is not a requirement for participating in services.

HDAP is an optional, non-entitlement state-funded program that is locally administered by participating counties and eligible tribal entities. Starting with 39 participating counties, the number of HDAP grantees increased to 57 counties in 2021-22 and two tribal entities. In 2022-23, 15 additional tribal entities requested and accepted funding to administer HDAP.

The 2021 Budget Act (Chapters 21, 69 and 240, Statutes of 2021) appropriated $175 million for HDAP over multiple years including $150 million in one-time funds and $25 million in ongoing, General Fund. Similarly, the 2022 Budget Act (Chapters 43, 45 and 249, Statutes of 2022) appropriated an additional $175 million for HDAP over multiple years inclusive of $150 million in one-time funds and $25 million in ongoing General Fund. Only the $25 million ongoing appropriation requires a local dollar-for-dollar match.

Approximately 1,877 individuals were approved to participate HDAP in 2022-23. The chart below shows HDAP participant housing outcomes at exit by fiscal year.

Figure 14. HDAP Participant Housing Outcomes at Exit by Fiscal Year



Source: CDSS

Multi-year Spending on Home Safe and HDAP. The chart on the next page shows appropriations and spending across the multiple, multi-year appropriations for Home Safe:

Table 5. Home Safe Program Appropriations and Expenditures, Fiscal Year 2018-19 through 2022-23

FY	Appropriation Type[32]	Appropriation Amount[33]	Amount Newly Allocated[34]	Actual Amount Expended[35] (not FY Specific)	Amount Remaining as of June 30, 2023[36]	Expenditure Deadline
22-23	One-Time *Available for Three Years*	$92,500,000	$82,875,000	$38,561,626	$127,188,374[37]	June 30, 2025
21-22	One-Time *Available for Three Years*	$92,500,000	$82,875,000			June 30, 2024
18-19	One-Time Match-Required *Available for Four Years*	$15,000,000	$14,500,000	$13,242,367	$1,257,633	June 30, 2022

The chart below shows spending across the multiple, multi-year appropriations for HDAP:

FY	Appropriation Type[25]	Appropriation Amount[26]	Amount Newly Allocated[27]	Actual Amount Expended[28] (not FY Specific)	Amount Remaining as of June 30, 2023[29]	Expenditure Deadline
22-23	Ongoing Match-Required *Available for Two Years*	$25,000,000	$24,341,325	$220,605	$24,120,720[30]	June 30, 2024
22-23	One-Time *Available for Three Years*	$150,000,000	$133,750,000	$90,667,162	$176,640,838	June 30, 2025
21-22	One-Time *Available for Three Years*	$150,000,000	$133,558,000			June 30, 2024
21-22	Ongoing Match-Required *Available for Two Years*	$25,000,000	$25,000,000	$629,381	$24,370,619	June 30, 2023
20-21	Ongoing Match-Required *Available for Two Years*	$25,000,000	$25,000,000	$23,309,858	$1,048,557	June 30, 2022
19-20	Ongoing Match-Required *Available for Two Years*	$25,000,000	$24,995,700	$21,400,946	$3,594,754	June 30, 2021

Source: CDSS

Trailer Bill Language: Governor's Budget - Home Safe Delay. This trailer bill language would make a technical change to HDAP to extend the grantee match exemption and extend the waiver of the local dollar-for-dollar match to align with the extension of the expenditure timeline of the one-time funds appropriated in 2022-23.

Trailer Bill Language: Governor's Budget - HDAP Delay. This trailer bill language would make a technical change to the Home Safe Program statute to extend the grantee match exemption to align with the extension of the expenditure timeline of the one-time funds appropriated in 2022-23**.**

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff recommends holding this item open to allow for continued discussions in advance of the May Revision.

Questions. The Subcommittee requests Margot Kushel, MD, Director of UCSD Benioff Homeless Housing Initiative, respond to the following:

1. Please summarize the findings of the California Statewide Study of People Experiencing Homelessness. What does the research tell us about older adults experiencing homelessness? What are they key takeaways for housing and homelessness services?

The Subcommittee requests CDSS respond to the following:

1. Please provide a description of the Home Safe Program and the Housing and Disability Advocacy Programs (HDAP). Who do these programs serve and what makes them unique?

2. What are the impacts of investments in both Home Safe and HDAP in 2021 and 2022? What do we know about the outcomes of older adults and people with disabilities who participate in Home Safe and HDAP?

3. How would the Governor's proposed delay of $50 million in HDAP funding and $65 million in Home Safe funding in 2024-25 be implemented by CDSS? How would it impact local programs? Does CDSS anticipate that any local Home Safe and HDAP programs would close or scale back if this funding is withheld by one fiscal year?

The Subcommittee requests DOF respond to the following:

1. Please describe the baseline budget for HDAP, as well as the one-time investments in this program in the 2021 and 2022 Budget Acts. For Home Safe, please describe the one-time investments in this program in the 2021 and 2022 Budget Acts.

2. For both the HDAP and Home Safe programs, please describe the amount of the 2021 and 2022 Budget Act allocations that have been spent to date.

3. Please explain the Governor's proposed delay of $50 million in HDAP funding and $65 million in Home Safe funding. Please also describe the re-appropriation of funding from the 2021 Budget Act for these programs. What does the Administration expect the combination of both the re-

appropriation of 2021 funding and the delayed 2022 Budget Act funding to achieve? What is the intent of these delays?

The Subcommittee requests Kelly Carpenter, Nevada County, and Susie Smith, Deputy Director of Policy, Planning, and Public Affairs, San Francisco Human Services Agency, respond to the following:

1. Please describe your county's Home Safe and HDAP programs. How have these programs affected your county's ability to respond to and prevent homelessness among older adults and people with disabilities?

2. How would the Governor's proposed delays of $50 million in HDAP funding and $65 million in Home Safe funding impact your county's program? How would your county implement the delay, and how would it affect clients currently receiving services?

The Subcommittee requests Patti Prunehuber, Justice in Aging, respond to the following:

1. What impact would Justice in Aging anticipate as a result of the Governor's proposed delays to HDAP and Home Safe funding? How would these delays affect housing stability and services for older and disabled adults?

The Subcommittee requests LAO respond to the following:

1. Please provide the LAO's analysis on the Governor's proposed delays to HDAP and Home Safe funding.

Issue 3: Community Care Expansion Update

Community Care Expansion (CCE). The CCE program funds the acquisition, construction, and rehabilitation of adult and senior care facilities that serve applicants and recipients of Supplemental Security Income (SSI) or Cash Assistance Program for Immigrants (CAPI), including individuals who are at risk of or experiencing homelessness. Funds are also available to preserve residential care settings, including through operating subsidies for existing licensed adult and senior care facilities currently serving SSI or CAPI recipients. CCE is part of a statewide investment in infrastructure funding to address homelessness, support healthcare delivery reform, and strengthen the social safety net. The California Health and Human Services Agency has bundled the CCE program with another program, the Behavioral Health Continuum Infrastructure Program (BHCIP). This item will only discuss CCE.

Funding. The 2021 Budget Act provided a total of $805 million General Fund over multiple years for the CCE program. $53.4 million of that total is included in the HCBS Spending Plan. The 2022 Budget Act included an additional $55 million in one-time funding for operating subsidies for licensed facilities.

CCE Implementation. To date, CCE has funded 48 projects, with 1,993 proposed beds/units totaling $353 million. The CCE has two primary components:

CCE Capital Expansion Program. CCE Capital Expansion funds the acquisition, construction, and rehabilitation of residential care settings. Grantees may be approved to use a portion of these funds to establish a capitalized operating subsidy reserve (COSR) for these projects, available for use for up to five years. Applications for CCE Capital Expansion project funding were accepted through a joint request for applications with the Department of Health Care Services BCHIP until June 1, 2023. CDSS received an overwhelming interest in CCE Capital Expansion funding with 374 applicants requesting $3.8 billion in funding. To date, CDSS has awarded $353 million to 42 applicants across 48 projects.

CCE Preservation Program. CCE Preservation is intended to immediately preserve and prevent the closure of existing licensed residential adult and senior care facilities, including Residential Care Facilities for the Elderly (RCFEs), Adult Residential Facilities (ARFs), or Residential Facilities for the Chronically Ill. This includes funds for capital projects and funds for operating subsidies. As of June 30, 2023, 34 counties have accepted a total of $247.7 million in non-competitive allocation funds.

One of the key goals of the CCE is to promote the sustainability of existing licensed residential adult and senior care facilities that serve clients receiving SSI/SSP. Licensing data shows that between 2019 and 2022, residential care facilities that house clients receiving SSI/SSP experienced a roughly five percent decrease in total capacity. Specifically, Residential Care Facilities for the Elderly (RCFEs) housing clients receiving SSI/SSP experienced an approximately eight percent decrease in capacity.

Subcommittee Staff Comment and Recommendation – Informational item. No action is needed.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an update on the Community Care Expansion (CCE) program, describing both the Capital Expansion and Preservation components of the program.

2. What has been achieved so far under the CCE program, including new beds created for individuals on SSI? Please provide an overview of the types of residential facilities supported with CCE funds and the needs of those individuals. How many facilities serving individuals on SSI have been awarded expansion grants, preservation grants, or operating subsidies? What has the department learned about the impact of these operating subsidies?

3. How is the CCE program preventing the closure of licensed residential care facilities and expanding the licensed capacity for facilities housing individuals who rely on SSI?

Issue 4: In-Home Supportive Services Overview

Background. The In-Home Supportive Services (IHSS) program provides personal care services to approximately 660,497 low-income individuals who are blind, over 65, or who have disabilities. Services include feeding, bathing, bowel and bladder care, meal preparation, and clean-up, laundry, and paramedical care. These services help program recipients avoid or delay more expensive and less desirable institutional settings. Eligibility for IHSS is tied to Medi-Cal eligibility.

As of December 2023, approximately 15 percent of IHSS consumers are 85 years of age or older, 40 percent are ages 65-84, 14 percent are ages 18-44, and nine percent are 17 years or younger. Seventy-two percent of IHSS providers are relatives of the recipient; 58 percent of providers are live-in.

County social workers determine IHSS eligibility and perform case management after conducting a standardized in-home assessment of an individual's ability to perform activities of daily living. In general, most social workers annually reassess recipients' need for services. Based on authorized hours and services, IHSS recipients are responsible for hiring, firing, and directing their IHSS provider(s). The average number of service hours provided to IHSS recipients in 2023-24 is estimated to be 122 hours per month.

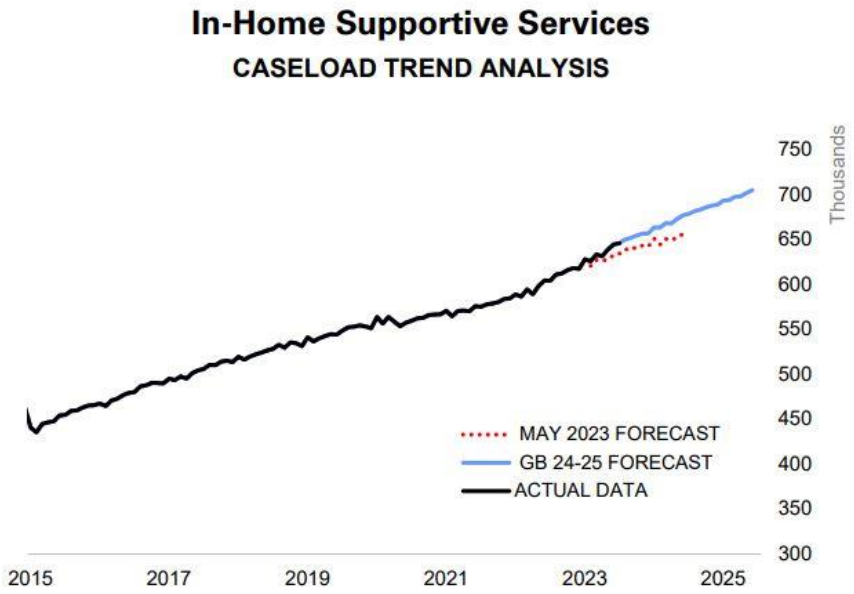
Ninety-nine percent of the IHSS caseload receives federal financial participation, with most cases receiving 50 to 56 percent federal financial participation. The remaining nonfederal share of costs are split between the state and counties based on the IHSS county maintenance-of-effort (MOE).

Governor's Budget. The Governor's revised budget for 2023-24 includes $22.4 billion ($8 billion General Fund) for IHSS program and administration costs. This reflects a net increase of $49.9 million (decrease of $342.5 million General Fund) from the Budget Act of 2023. The increase is due to a higher caseload, cost per hour, and number of hours per case than previously projected, while the decrease in General Fund reflects a lower projected caseload in the Undocumented 50 and Above Full Scope Expansion.

The Governor's proposed 2024-25 Budget includes $24.3 billion ($9 billion General Fund) and reflects an increase of $1.9 billion ($664.5 million General Fund) compared to the Budget Act of 2023. The increase is due to the expansion of the full-scope Medi-Cal to undocumented adults age 26 through 49, regardless of immigration status, as well as growth in the projected caseload, cost per hour, and number of hours per case for IHSS overall.

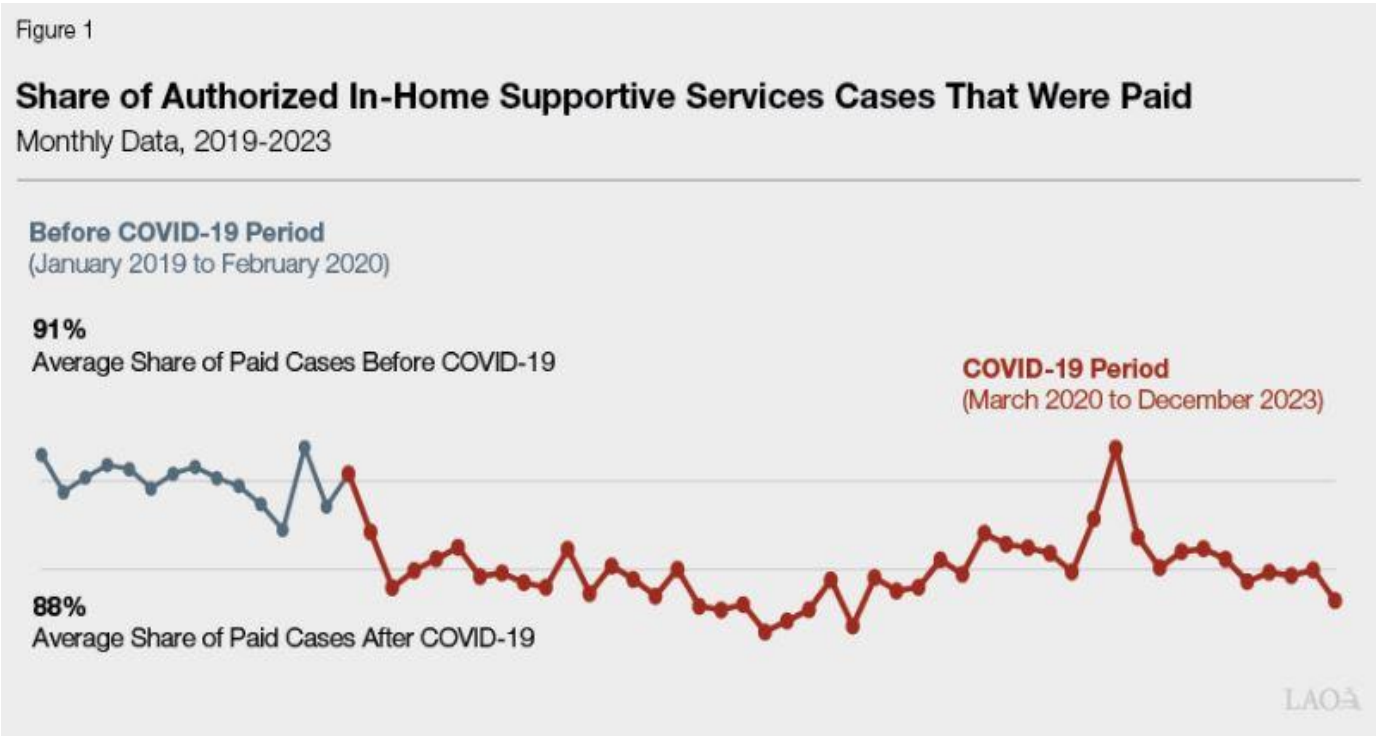
For 2023-24, IHSS costs include a half-year impact of $16.00 minimum wage implementation, while in 2024-25, IHSS costs include a full-year impact of $16.00 minimum wage implementation and a half-year impact of $16.50 minimum wage implementation. The Governor's budget assumes that the cost per hour of IHSS services will increase from $20.02 in 2023-24 to $20.52 in 2024-25. The majority of the cost per hour is associated with IHSS wages (estimated to be an average of $17.95 per hour as of January 2024), in addition to provider benefits and administration costs.

The Governor's 2024-25 Budget projects a total IHSS caseload of 691,075 recipients, representing a 4.6 percent increase from 2023-24. IHSS caseload has steadily increased since 2014, as shown in the chart below:



Source: CDSS

IHSS Service Utilization. According the LAO, the IHSS caseload demonstrates a continued trend of fewer authorized cases claiming service hours in any given month since the start of COVID-19, as shown in the LAO figure below. The average share of authorized cases paid every month slightly decreased from 91 percent to 88 percent from January 2019 through December 2023. This translates to roughly 22,000 fewer paid cases every month relative to pre-COVID-19 levels.



Impact of the Medi-Cal Asset Test Elimination. The Medi-Cal asset limit was fully eliminated January 1, 2024, which results in more seniors and persons with disabilities becoming eligible for Medi-Cal, including IHSS. As noted by the LAO, the Governor's proposed budget includes about $26 million General Fund in 2023-24 to provide services to the estimated 1,800 seniors and persons with disabilities who will become eligible for IHSS as a result of this policy change. For 2024-25, the Administration estimates that about 3,900 seniors and persons with disabilities will become eligible for IHSS services with a proposed budget of about $48 million General Fund.

Impact of Medi-Cal Redeterminations. During the COVID-19 public health emergency, eligibility redetermination requirements for current Medi-Cal enrollees were temporarily suspended. As of April 2023, counties have resumed Medi-Cal eligibility redeterminations and IHSS recipients have begun to be placed into the IHSS Residual Program (the state-funded program that some IHSS recipients are added to if they lost their Medi-Cal eligibility). The Governor's budget includes approximately $37 million to account for the estimated increase in residual cases.

The 2023 Budget Act included Supplemental Report Language requiring CDSS to report regarding impacts of Medi-Cal Redeterminations on the IHSS caseload. The chart below shows the number of IHSS recipients that have been terminated for not completing their Medi-Cal Redeterminations for June through December 2023:

June	July	August	Sept	Oct	Nov	Dec
44	213	332	172	358	303	207

IHSS Permanent Backup Provider System. The 2022 Budget included $34.4 million ($15.4 million General Fund) ongoing to establish a permanent backup provider system for IHSS recipients to avoid disruptions to caregiving due to an immediate need or emergency. Under the permanent backup provider system, a recipient who has an urgent need or whose health and safety will be at risk without a backup provider can receive up to 80 hours (if recipient is non-severely impaired) or 160 hours (if recipient is severely impaired) of backup provider services per state fiscal year. Additionally, backup providers are paid $2 above the local IHSS hourly wage rate.

According to the LAO, "utilization of the backup provider system for the first three months of 2023-24 is lower than expected—likely indicating there will be savings in 2023-24. Specifically, between July 2023 and September 2023, less than $100,000 worth of services have been claimed of the total $16 million General Fund ($36.6 million Total Fund) budgeted in 2023-24. Further, since the implementation of the backup provider system (October 2022) up to the most recent month of data (September 2023), less than $350,000 has been expended on services, averaging less than $30,000 in expenditures per month…it is likely that for 2023-24 and 2024-25 combined, there could be savings of over $25 million General Fund."

IHSS Paid Sick Leave (PSL) Utilization. PSL became available on July 1, 2018 for IHSS providers who worked a certain number of hours within a calendar year. In 2018-19, the maximum amount of PSL an IHSS provider could accrue was eight hours per year. This increased to 16 hours in 2020-21, 24 hours in 2022-23, and is set to increase to 40 hours on July 1, 2024. The Governor's Budget includes around $70 million for PSL in 2023-24 and around $76.5 million for PSL in 2024-25. According to the LAO, there could be potential savings in 2023-24 and 2024-25 from this program due to lower PSL hours being claimed.

Investments in the 2023 Budget Act. The 2023 Budget Act made a number of changes and investments in IHSS, including the following:

- **Evaluation of Statewide/Regional Collective Bargaining:** $1.5 million General Fund one-time, for CDSS to analyze the costs and benefits of approaches that transition collective bargaining with IHSS providers from the current model to a statewide and/or regional model. This analysis is due January 1, 2025. CDSS has entered into contracts for research and facilitation of a workgroup, which held its first meeting in February 2024.

- **Streamlining Eligibility for Minor Recipients.** The 2023 Budget Act included trailer bill language that streamlines the process for children with disabilities to select their parent as their IHSS provider, similar to all other IHSS recipients. The Governor's budget proposes approximately $33 million in 2023-24 and 2024-25 for this change. The LAO notes there could be roughly six months of General Fund savings in 2023-24 due to the timing of this change being implemented.

- **Collective Bargaining County Penalty.** The 2023 Budget Act included trailer bill language which, beginning October 1, 2023, increases the amount of the 1991 Realignment funding withholding from 7 percent to 10 percent of the county's prior fiscal year IHSS Maintenance of Effort (MOE) requirement and requires the withholding continue once each fiscal year until the county enters into a collective bargaining agreement.

Subcommittee Staff Comment and Recommendation – Informational item. No action is needed. The Legislature may wish to explore the potential General Fund savings identified by the LAO in order to help solve the budget problem.

Questions. The subcommittee requests CDSS respond to the following:

1. Please provide a brief overview of the IHSS program and the budget and caseload for 2024-25.

2. The LAO notes that IHSS service utilization continues to remain below historical levels, observing a trend of fewer authorized cases (approximately 22,000 fewer cases) claiming service hours in any given month since the start of COVID-19. What could be the drivers of this decrease in paid cases?

3. The LAO notes that the elimination of the Medi-Cal asset limit will increase the number of seniors and people with disabilities eligible for IHSS. The 2024-25 budget estimates the cost of this expanded caseload at approximately $48 million General Fund. How was this estimate derived? How will the Administration project caseloads and expenditures associated with the removal of the Medi-Cal asset limit moving forward?

4. Please provide an update on the following initiatives approved in the 2023 Budget Act: streamlined eligibility for minor recipients, development of a stakeholder process to explore regional or statewide collective bargaining for IHSS providers, and the implementation of electronic visit verification for some IHSS providers. Please provide an update on the IHSS Back-Up Provider System approved in the 2022 Budget Act.

5. Please describe any impacts of the resumption of Medi-Cal redeterminations on the IHSS population.

Issue 5: In-Home Supportive Services Career Pathways Program

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Claire Ramsey, Chief Deputy Director, California Department of Social Services
- Idalys Perez, Department of Finance
- Juwan Trotter, Fiscal & Policy Analyst, Legislative Analyst's Office
- Tiffany Whiten, Senior Government Relations Advocate, California State Council of SEIU

HCBS Spending Plan. As a part of the 2021 Budget Act, the state was required to submit a package of home- and community-based services (HCBS) enhancements—known as the HCBS Spending Plan—to the federal government as a condition of drawing down additional federal funds resulting from a temporary 10 percentage point increase to the federal Medicaid match rate. California's plan included approximately $3 billion in HCBS enhancements (which would be matched by an additional $1.6 billion in standard Medicaid funds, totaling $4.6 billion). The Department of Health Care Services (DHCS) is the lead state agency on the plan, which spans 26 initiatives across six departments under the California Health and Human Services Agency. The 2023 Budget Act extended the HCBS Spending Plan period to December 31, 2024 to maximize an extension made available by the federal government.

IHSS Career Pathways Program. The HCBS Spending Plan includes $295 million for the IHSS Career Pathways Program. The IHSS Career Pathways program is a new training program to increase the quality of care, recruitment, and retention of providers. Providers participating in the IHSS Career Pathways program are paid for the time that they participate in the trainings and are eligible for incentive payments if certain trainings are completed. In order to be eligible for certain incentive payments, IHSS providers must continue to work for IHSS recipients for a certain amount of time after the completion of the training. To be eligible for the largest incentive payment ($2,000), a provider must continue to work for a particular recipient for a minimum of 40 hours a month for six months after completing training.

Program Spending. Pursuant to the latest update from the Department of Finance, $41 million of the $295 million allocated to the IHSS Career Pathways Program has been spent. The following table shows a breakdown of the Career Pathway Program's expenditures by category as of September 30, 2023.

Category	Amount (As of 09/30/23)
Direct to Providers: Training Incentives	$5,006,500
Direct to Providers: Training Time	$13,291,979
Training: Vendors	$13,162,251
Training: County/PA	$257,134
Admin: Vendors	$3,791,436
Admin: Automation	$1,217,430
Admin: Taxes	$761,152
Admin: State Operations	$3,595,492
Total	$41,083,374

Class Availability. CDSS has worked to double the number of classes offered and add an additional 20 courses offered by county public authorities. Since January 31, 2024, 11,938 class sessions have been offered. More detail per vendor is included below.

- **Counties: Marin, Nevada, Plumas, Riverside, Sacramento, San Bernadino, Santa Clara, San Diego, and Ventura**
  - Offered a total of 1,544 class sessions: 1,057 online, 324 self-paced, and 163 in-person.
  - Courses offered in Spanish and English.
  - Pathways: Cognitive Impairments and Behavioral Health, General Health and Safety, Complex Physical Needs.
- **Home Bridge**
  - Offered a total of 7,892 class sessions: 6,859 online, 635 self-paced, and 398 in-person.
  - Courses offered in English, Spanish, Cantonese, Mandarin, and Armenian.
  - Pathways: Adult Education, General Health and Safety, Transitioning to Home and Community Based Living, Cognitive Impairments and Behavioral Health, Complex Physical Needs
- **Center for Caregiver Advancement (CCA)**
  - Offered total of 2,527 class sessions: 2,195 online and 179 in-person.
  - Courses offered in Armenian, Cantonese, English, Korean, Mandarin, Russian, Spanish and Vietnamese.
  - Pathways: Cognitive Impairments and Behavioral Health, General Health and Safety

In February 2024, 155 class sessions were added to the course catalog. Homebridge added 24 in-person class sessions. Nevada, Sacramento, San Diego, San Bernadino, and Riverside added 131 class sessions of which 105 are online, 20 are self-paced and 6 are in-person. The average waitlist for each course is set to 40 providers. Prior to the increase in the number of classes in January 2024, most classes had a waitlist that was 100 percent full.

Training and Incentive Claiming. As of January 31, 2024, 13,340 unduplicated IHSS providers have completed at least one training course. CDSS received 83,306 claims for hours spent in training in 2022. 23. In 2023-24, CDSS has received 280,485 claims for hours spent in training as of January 31, 2024. As of January 31, 2024, the following incentives have been issued:

- 15 Hour Training Incentive: 14,663
- One-Month Incentive: 1,177
- Six-Month Incentive: 292

Subcommittee Staff Comment and Recommendation – Informational item. Subcommittee staff notes that CDSS has a limited period of time to spend down the remaining approximately $254 million for the IHSS Career Pathways Program by December 31, 2024. The Joint Legislative Budget Committee has requested information from DOF regarding the plans departments have in place to ensure all remaining funds are spent by the deadline, and timelines for remaining activities and expenditures.

Questions. The Subcommittee requests CDSS and DOF respond to the following:

1. Please provide an update on the IHSS Career Pathways Program, including the numbers of IHSS providers who have benefitted from the trainings and the stipends associated with these trainings. How has CDSS made more classes available to maximize this opportunity for IHSS providers and recipients?

2. How has the extension of the HCBS Spending Plan approved as part of the 2023 Budget Act affected the IHSS Career Pathways Program?

3. The latest available spending data shows that only $41 million of the $295 million in federal HCBS funding for this program has been spent. What is the Administration's plan to ensure this funding is fully spent by the December 2024 deadline?

Issue 6: APS Planning and Development of a Data Warehouse

Budget Change Proposal – Governor's Budget. CDSS requests limited-term federal fund authority of $369,000 in 2024-25 and $357,000 in 2025-26, including two positions, to begin planning and development efforts toward a data warehouse for the APS Program. This proposal has no effect on the General Fund.

Background. Each of California's 58 counties has an Adult Protective Services (APS) agency to aid adults aged 60 years and older and dependent adults who are unable to meet their needs, or are victims of abuse, neglect, or exploitation. The APS program provides 24/7 emergency response to reports of abuse and neglect of elders and dependent adults who live in private homes, apartments, hotels or hospitals, and health clinics. APS social workers evaluate abuse cases and arrange for services such as advocacy, counseling, money management, out-of-home placement, or conservatorship. APS social workers conduct in-person investigations on complex cases, often coordinating with local law enforcement, and assist elder adults and their families navigate systems such as conservatorships and local aging programs.

APS Data. As part of administering the APS program, each county is required to provide monthly data reports to CDSS. This data provides information on reports received, cases opened and closed, and demographic information on both victims and perpetrators. Capturing the data is done differently by each county as there is no statewide case management system or tool utilized by all counties across the state.

The current data collection system, known as the SOC 242, collects most of the data required by the federal Administration for Community Living's (ACL) National Adult Maltreatment Reporting System (NAMRS), including program management information and key data indicators. However, CDSS does not yet collect case-level data as requested by the federal government because there is not a statewide case management or data warehouse system. This has led to inconsistent and incomplete data submitted to the CDSS, and subsequently, to the federal government. While the ACL has currently granted CDSS an exemption to not report case-level data, this exemption is not guaranteed moving forward.

The 2021 Budget Act required CDSS, in conjunction with stakeholders, to explore the possibility of building a statewide data collection and/or case management system with the capability of providing case level information in real time to APS providers throughout the state. In November 2022, CDSS submitted a report outlining three options to address the lack of a statewide APS case management or data warehouse system.

Resource Request. This proposal requests to use federal funding recently made available through the Elder Justice Act for two Research Data Specialist I (RDS) positions. One RDS will lead data research and planning for the implementation of a statewide APS data warehouse and work with multiple stakeholders to access and analyze APS data, including conducting a racial and ethnic disparity analysis. The other RDS will collaborate with APS at the state and county levels to create a data collection system with supporting processes that maintain accurate, consistent, and timely reporting by all counties. The RDS will research and recommend data elements to be collected in the new system to meet current and future program requirements. Lastly, this resource will develop dashboard, monitoring and reporting systems to track program access, outcomes, and other critical performance indicators which would allow the APS program to quickly identify and resolve program disparities.

According to CDSS, these resources will move the APS program towards statewide data-reporting uniformity, making federal reporting and trend analysis more accurate. This will inform and impact outreach, APS worker training, and make sure the APS Program's response to abuse allegations are more timely, effective, and equitable for program clients. Case-level data will allow the program to better identify and resolve disparities within the community while improving equitable outcomes in California for older and dependent adults especially those from communities of color and disenfranchised communities. It will allow the CDSS to report accurate and complete data to the NAMRS to help inform prevention and intervention practices on the national level of the adult maltreatment field.

In June 2023, California was notified that the APS program will receive $1,379,183 under the Elder Justice Act to enhance, improve, and expand the ability of APS to investigate allegations of abuse, neglect, and exploitation. CDSS proposes to use this opportunity to fund the two limited-term resources to develop the APS Data Warehouse, which is consistent with the direction provided by the federal government for this funding.

CDSS reports that research and planning activities would begin in July 2024 and take one year and nine months. After research and planning, the staff will move onto the development phase where the statewide data warehouse will be created, and then implement a phased implementation to bring the counties onto the statewide data warehouse in groups.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that this proposal does not impact the General Fund and will lead to more valuable and consistent information on the adults involved in the APS system.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal. When will the data system be completed, and how will it improve the state's understanding of the adults involved in the APS system?

Issue 7: Community Care Licensing Overview

Background. The Community Care Licensing Division (CCLD) under CDSS oversees the licensure or certification of approximately 69,646 licensed facilities that include childcare centers; family child care homes; adult day care facilities; foster family homes; and children, adult, and senior residential facilities. In addition, the Home Care Services Bureau oversees 1,908 licensed home care organizations. CCLD is responsible for protecting the health and safety of individuals served by those facilities. Licensing program analysts investigate any complaints lodged, and conduct inspections of the facilities. CCLD has a total of 1,593 authorized positions. In 2022-23, CCLD completed 34,000 facility inspections, 15,000 case management visits, 17,000 complaint investigations, and 7,000 applications for licensure.

Governor's Budget. The 2023-24 Budget for CCLD includes $78.4 million General Fund, $157.8 million federal funds, $23.8 million for the Technical Assistance Fund (0270), $2.1 million for the Certification Fund, $2.7 million for the Child Health and Safety Fund (0279), $7.3 million for the Home Care Fund, and $2.8 million for the Continuing Care Provider Fee Fund (0163), which is continuously appropriated.

Funding. Licensed facilities must pay an application fee and an annual fee, which is set in statute. The revenue from these fees is deposited into the Technical Assistance Fund (TAF) and is expended by the department to fund administrative and other activities in support of the licensing program. In addition to these annual fees, facilities are assessed civil penalties if they are found to have committed a licensing violation. Civil penalties assessed on licensed facilities are also deposited into the TAF, and are required to be used by the department for technical assistance, training, and education of licensees.

Investments in the 2023 Budget Act. The 2023 Budget Act included several changes and investments under CCLD:

- **Background Check Resources and Replacing the Guardian System:** $4 million for an increase of staff in the Care Provider Management Bureau for processing background checks, providing technical assistance, and customer services, in order to address the background check backlog. The 2023 Budget Act also included $900,000 limited-term funding to (1) support ongoing IT maintenance for the Guardian background check system and (2) initiate planning activities to develop a replacement to the Guardian system. Budget bill language requires CDSS provide quarterly updates to legislative staff, including the Legislative Analyst's Office, on the status of the backlog, beginning August 1, 2023. The Guardian backlog as of January 2024 is 3,013 cases older than 120 days, which is an over 70 percent decrease compared to July 2022.

- **Home Care Fund Stabilization:** $2.8 million ongoing to stabilize and provide responsible oversight and enforcement of the home care system in California through the Home Care Program. Trailer bill language requires CDSS to report to the Legislature by January 10, 2025 on the solvency of the Home Care Fund and submit quarterly progress updates to the Legislature. The Branch expansion included the hiring of 15 new positions. Nine of these positions have been hired, and CDSS is in the process of hiring the remaining six. These efforts will increase the department's capacity to investigate businesses providing unlicensed home care services, issue civil penalties, and generate additional revenue for the Home Care Fund.

- **Preventing Trauma During Facility Closure**: $5.1 million ongoing to support temporary manager contracts to protect the health and safety of residents of Residential Care Facilities for the Elderly and Adult Residential Facilities.

- **Veterans Foster Home Support**: $1.3 million ongoing to implement AB 2119 (Flora), Chapter 381, Statutes of 2022, which requires medical foster homes authorized by the United States Department of Veterans Affairs (USDVA) to be licensed as medical foster homes for veterans by CCLD.

- **Facility Management System Project Planning Resources:** augments funding for project resources and vendor costs to align the budgetary authority with the updated Facility Management System (FMS) project budget, and re-appropriates $21.1 million in unspent funds from the 2021 and 2022 Budget Acts.

- **Administrator Certification Section Training Updates**: trailer bill language to modify the initial certification and continuing education training requirements for the Administrator Certification Program (ACP) to continue to offer online training options that were available throughout the COVID-19 pandemic under statewide waivers.

Subcommittee Staff Comment and Recommendation – Informational item. No action is needed.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of the 2024-25 budget for CCLD.

2. The 2023 Budget Act included $4 million to increase staff to process background checks in order to reduce the background check backlog in Guardian. Please provide an update on the current Guardian backlog, as well as planning activities to develop a replacement to Guardian.

3. Please provide an update on the Home Care Fund and actions taken to oversee and stabilize the home care system.

Issue 8: Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to SSI/SSP, IHSS, and county social services.

Presentation Items:

- **Emergency Services and Disaster Response Funding for County Welfare Departments.** The County Welfare Directors Association (CWDA) proposes $14 million General Fund ongoing to support county human services agencies at the front lines of disaster response efforts. According to CWDA, "When disasters occur, county human services agencies have responsibility under emergency response plans for the mass care and shelter of their county residents. County human services staff are diverted from regular job duties to help facilitate and staff shelters, help victims apply for benefits, and coordinate care with community and health care organizations. Additionally, the majority of county human services agencies are tasked with post-disaster recovery support and services, including case management, which oftentimes is not reimbursed by federal disaster funds. County human services agencies care for the people directly affected by disasters, a workload that is severely underfunded from preparedness planning through recovery efforts."

Non-presentation Items:

- **Lift SSI/SSP Grants and Revive the Special Circumstances Program.** Californians for SSI proposes two investments in the SSI/SSP Program. First, $282.7 million in 2024-25, increasing to $340.9 million in 2026-27, to increase the SSI/SSP grants to 100 percent of the federal poverty level. Second, $10 million for five years to revive the Special Circumstances Program as a time-limited program to provide financial assistance in a one-time lump sum to SSI, IHSS, and CAPI recipients to pay for moving costs including a security deposit, house repairs, and essential appliances like heating/cooling systems, refrigerators, or stoves. According to Californians for SSI, "SSI/SSP recipients increasingly rely on emergency food, shelter, and health providers to stay alive. Many are becoming homeless and going hungry, requiring expensive food, medical, and nursing home services that are needed in part because the grants do not cover basic needs. SSI/SSP grants are so low that the cost of a studio apartment exceeds one-half of the SSI/SSP grant in California, and is higher than the entire grant in 25 counties, such as Los Angeles. Rent, food, and healthcare costs would exceed all counties' SSI/SSP grants. Investments to support SSI recipients will help ensure these seniors and people with disabilities can reach economic self-sufficiency, rise above the poverty level, and live with dignity."

- **IHSS Participation Cap Update.** SEUI California/AFSCME UDW 3930 propose to recalibrate the state's participation in locally negotiated wage and benefit increases up to 10 percent over three years; specifically, removing the requirement for two contracts of three years each, thus leaving the 10 percent intact in perpetuity. According to SEIU and UDW, "under current law, the state and counties share the non-federal share-of-cost for locally negotiated wage and benefit increases: the state pays 65 percent of the cost with the county paying the remaining 35 percent. However, the state has a cap on its contribution, sitting at $1.10 above minimum wage. For counties at or above this cap, the state currently participates at their standard share for any increase, up to 10 percent,

over no more than two consecutive three-year periods. Many counties are at –or near – the end of the two consecutive three-year periods. As we use 2024 to engage in the workgroup process outlined in AB 102 (2023) and explore what a new bargaining structure will look like for IHSS, we understand that the current structure limits our capacity to secure favorable contracts in the interim."

- **IHSS County Administrative Bridge Funding.** CWDA and California State Association of Counties (CSAC) propose $51 million one-time General Fund for administration of the IHSS Program for 2024-25 and associated budget trailer bill language requiring CDSS to work with CWDA and county IHSS worker representatives during the 2024-25 fiscal year to update the existing IHSS administration budget methodology to take effect in 2025-26. According to CWDA and CSAC, "Administrative underfunding is contributing to higher worker caseloads in many counties, which in turn contributes to counties' inability to recruit and retain staff and meet the needs of an increasing elderly and vulnerable population. Caseloads of 300 and 400 consumers per social worker are not uncommon in some counties. This hampers counties' ability to timely and accurately administer the program and respond to the needs of recipients and providers. Current IHSS consumers may face longer wait times to reach their social worker between assessments when they have changes in their health or other needs that may warrant more IHSS services… Addressing administrative underfunding of worker costs and application processing will allow counties to better to retain staff, reduce intake times, and increase availability of services for a population that is expected to grow significantly in the coming decade."

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff recommends holding this item open to allow for continued discussions in advance of the May Revision.

PUBLIC COMMENT ON ISSUES 2-8

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

Issue 1: Federal Trust Fund Authority Augmentation

Budget Change Proposal – Governor's Budget. The Department of Community Services and Development (CSD) requests an increase in the department's Federal Trust Fund base authority for local assistance programs ($52 million for energy programs and $3 million for community services) to align the next three fiscal years with current funding levels of core federal grant programs. After three fiscal years, CSD would reassess and submit a new budget proposal for additional changes to its federal expenditure authority, if needed. This proposal does not impact the General Fund.

Department of Community Services and Development (CSD). The mission of the Department of Community Services and Development (CSD) is to reduce poverty for Californians by partnering with private nonprofit and local government organizations dedicated to helping low-income families achieve and maintain economic security, meet their home energy needs, and reduce their utility costs through energy efficiency upgrades and access to clean renewable energy.

Background. CSD's current Federal Trust Fund base authority for local assistance programs 4181-Energy ($198.6 million) and 4185-Community Services ($62.2 million) is no longer sufficient due to current funding levels of its established federal grant awards. CSD's core federal grant programs have continued to increase, requiring CSD to annually secure additional authority through the Section 28 process. The Department in consultation with the Department of Finance is taking this proactive action to align CSD's baseline authority over the next three years to CSD's current funding levels of core federal grant programs. According to CSD, this augmentation of the Federal Trust Fund base local assistance authority will facilitate the timely release of federal grant program funds to its network of local service providers, which in turn facilitates timely delivery of energy assistance and other supportive services to low-income Californians.

As noted by the LAO, over the past several years, CSD has submitted Section 28.00 letters to the Legislature in order to secure the necessary federal expenditure authority to be able to accept the state's full award amounts for the core programs. These letters all have been approved. By increasing CSD's expenditure authority, the department anticipates that fewer Section 28.00 letters would be required to ensure sufficient expenditure authority in a timely manner. Importantly, Section 28.00 letters still would be required in cases where allocated federal funding exceeds the increased expenditure authority threshold. For example, the recent large one-time augmentations provided as part of federal pandemic relief efforts still would trigger the Section letter process. In other words, the Legislature would continue to be notified prior to CSD accepting significant augmentations above the anticipated grant amounts.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CSD respond to the following:

1. Please provide an overview of this proposal.

PUBLIC COMMENT ON ISSUE 1

4170 CALIFORNIA DEPARTMENT OF AGING

Issue 1: California Department of Aging Overview

Background. The California Department of Aging (CDA) administers community-based programs that serve older adults, adults with disabilities, family caregivers, and residents in long-term care facilities throughout the state. As the federally designated State Unit on Aging, the department administers federal Older Americans Act (OAA) programs, the Health Insurance Counseling and Advocacy Program (HICAP), and two Medi-Cal programs. CDA administers most of these programs through contracts with the state's 33 local Area Agencies on Aging (AAA). At the local level, AAAs contract for and coordinate an array of community-based services to older adults, adults with disabilities, family caregivers, and residents of long-term care facilities.

Master Plan for Aging. CDA is the lead department on the state's Master Plan for Aging, a comprehensive framework to prepare the state for the growth of the 60-and-over population to 10.8 million people by 2030. The five primary goals of the Master Plan for Aging are: Housing for All Ages and Stages; Health Reimagined; Inclusion and Equity, not Isolation; Caregiving that Works; and Affording Aging. Recent federal and state investments in CDA focus on implementing this vision.

Governor's Budget. The Governor's Budget includes $382.2 million ($181.8 million General Fund) for CDA in 2024-25. CDA's budget summary is included below:

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2022-23	2023-24	2024-25	2022-23*	2023-24*	2024-25*
3890	Nutrition	40.1	43.9	44.9	$223,466	$178,209	$198,078
3895	Senior Community Employment Service	2.7	3.8	3.8	11,733	17,398	7,815
3900	Supportive Services	68.6	77.3	85.3	319,201	306,946	115,769
3905	Community-Based Programs and Projects	12.2	9.7	9.7	21,039	18,368	18,440
3910	Medi-Cal Programs	80.3	60.9	60.9	17,087	67,671	12,778
3915	Policy & Planning	26.2	55.0	55.0	7,810	37,107	29,327
9900100	Administration	-	-	-	-	-	-
9900200	Administration - Distributed	-	-	-	-	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**230.1**	**250.6**	**259.6**	**$600,336**	**$625,699**	**$382,207**

FUNDING		**2022-23***	**2023-24***	**2024-25***
0001	General Fund	$175,105	$291,652	$181,812
0289	State HICAP Fund	4,434	4,392	4,586
0890	Federal Trust Fund	187,685	172,355	172,791
0942	Special Deposit Fund	2,224	1,232	1,232
0995	Reimbursements	15,882	19,332	21,386
3098	State Department of Public Health Licensing and Certification Program Fund	400	400	400
8507	Home & Community-Based Services American Rescue Plan Fund	214,606	136,336	-
TOTALS, EXPENDITURES, ALL FUNDS		**$600,336**	**$625,699**	**$382,207**

CDA Programs. Several key CDA programs include:

- **Home and Community Living Programs.** Home and community-based services support older adults, people with disabilities and family caregivers in the setting of their choice. CDA works with 33 AAAs, 11 Caregiver Resource Centers, 286 Community-Based Adult Services (CBAS) Centers, and 37 Multipurpose Senior Services Program (MSSP) Sites through contracting, budget setting, program guidance, monitoring and oversight, technical assistance, and quality assurance.

- **State Long-Term Care Ombudsman (LTCO).** The LTCO seeks to resolve problems and advocate for the rights of residents of long-term care facilities with the goal of ensuring their dignity, quality of life, and quality of care. The LTCO oversees 35 local ombudsman programs consisting of 249 paid staff and 384 volunteers who advocate on behalf of residents of long-term care facilities.

- **Aging and Disability Resource Connections (ADRCs).** ADRCs are coordinated networks of local providers that serve as community access point for older adults, people with disabilities, and caregivers navigating long-term services and supports. ADRC partnerships provide core service functions (Enhanced Information & Referral, Options Counseling, Short-Term Service Coordination, and Facility-to-Home Transition Services) using person-centered practices that empower individuals to make informed decisions and exercise control over their long-term care needs. There are currently 17 designated ADRCs

- **Office of the Long-Term Care Patient Representative.** The Office of the Long-Term Care Patient Representative provides trained representatives for long-term care residents who may need medical treatment but lack the capacity to make health care decisions and have no legal surrogate authorized to make decisions on their behalf.

Bridge to Recovery Program. The 2022 Budget Act included $61.4 million General Fund one-time to provide grants to Adult Day Health Care centers and Adult Day Programs, such as CBAS centers, to support the safe return to in-person congregate care. CDA is currently in the process of executing the first round of over 300 grants totaling approximately $20 million.

CA2030 initiative. In 2022, CDSS initiated the CA2030 initiative, with the goal of reimagining California's aging network based on statewide survey data about what is important to older Californians. CDA and the California Health and Human Services Agency (CalHHS) plan to put forward a set of policies to modernize the network of local AAAs and strengthen the governance system, set performance standards, standardize the delivery of services across the state, and make the system easier to navigate for older Californians and caregivers across the system.

Older Californians Act Modernization. The 2022 Budget Act included $186 million General Fund ($59.3 million in 2022-23, $86.9 million in 2023-24, and $39.8 million in 2024-25) to restore supports and services for older adults that were reduced during the last recession, including senior nutrition programs, family caregiver supports, volunteer development programs, and aging in place programs. The 2023 Budget Act adjusted the spending period for this $186 million investment to be spent over five years instead of three, which totals $37.2 million in each of the five years. Of this funding, $181 million has been encumbered within contracts with AAAs and $7.5 million has been spent on supportive services and

nutrition services as of November 2023. CDA anticipates spending on these services to accelerate as activities under the HCBS Spending Plan (discussed in Issue 7) close out to prevent an abrupt loss of services.

Subcommittee Staff Comment and Recommendation – Informational item. No action is needed.

Questions. The Subcommittee requests CDA respond to the following:

1. Please provide an overview of CDA's programs and proposed budget for 2024-25.

2. Please provide an overview of the latest Master Plan for Aging report and the department's key ongoing initiatives under the Master Plan for Aging in 2024-25.

3. Please summarize the goals of the CA2030 initiative and the department's next steps for modernizing the local aging services network.

4. Please provide an update on the Bridge to Recovery Program and how this program is supporting CBAS Centers returning to congregate care.

Issue 2: Healthier at Home Pilot Reversion

Budget Solution – Governor's Budget. The Governor proposes to revert $11.9 million General Fund for the Healthier at Home Pilot program.

Healthier at Home Pilot Program. The 2022 Budget Act included $12.5 million General Fund one-time to support a competitive grant pilot program for qualified nonprofit organizations to hire registered nurses and community health care workers to provide health education, navigation, coaching, and care to residents of senior housing developments. Statute requires the pilot program take place in the Counties of Contra Costa, Fresno, Orange, Riverside, Sacramento, San Diego, Shasta, and Sonoma.

Over 2023, CDA began development of this pilot program, including stakeholder engagement, research, and working with a vendor to develop program standards. CDA has spent $610,000 on program development but has not yet selected the housing sites or implemented the pilot program. According to CDA, some issues surfaced as they worked to develop the pilot program, including capacity of the non-profits to meet HIPPA requirements and concerns about the programming abruptly ending due to the limited term funding. At this time, CDA has not released a Release for Applications (RFA) for the pilot program.

The $11.9 million proposed for reversion is all of the remaining funding for this pilot program.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The Subcommittee requests CDA and DOF respond to the following:

1. Please provide an overview of this budget solution. Why is this program proposed for reversion, and what is the anticipated impact of this program being cancelled?

Issue 3: CalFresh Healthy Living Program

Budget Change Proposal – Governor's Budget. CDA proposes an increase of $2 million in reimbursement authority to support one position and increased local assistance funding in 2024-25 and ongoing to provide increased monitoring services, program site capacity, increased client counts, and enhanced curricula for the CalFresh Healthy Living (CFHL) activities for low-income adults aged 60 and older. This reimbursement authority increase is supported by federal funds and has no General Fund impact.

Background. CDA administers CFHL Supplemental Nutrition Assistance Program Education Program (SNAP-ED) activities through 20 Area Agencies on Aging (AAAs) within 37 counties. CFHL is federally funded and focuses on promoting healthy food choices and active living among older adults. The educational programming provided through CFHL is defined by the United States Federal Nutrition Services (FNS). CFHL SNAP-ED interventions must meet the general low-income standard more than 50 percent of the audience must have household incomes of less than 185 percent of the Federal Poverty Guidelines. CDA's CFHL program is unique in its focus on addressing nutrition education among low-income older adults.

In 2022, CDA received a permanent increase of CFHL reimbursement funding from CDSS, which allowed CDA to increase the CFHL program to four additional AAAs, bringing the current total number of participating AAAs statewide to 20 AAAs within 37 counties. CDA received an additional permanent increase for CFHL funding in 2023, increasing the local funding from $4.3 million to $6 million, which will enhance services within the 37 counties that currently provide CFHL services. Specifically, the funding increase will enable CFHL staff to reach segments of the traditionally underserved older adult population, including people with disabilities, individuals who are housing insecure, grandparents, and those living in rural or outlying areas.

Staffing and Resource Request. CDA requests one federally funded Health Program Specialist I to expand and enhance efforts to advance food and nutrition security in 37 counties to ensure consistent, inclusive, and equitable access to healthy, safe, and affordable foods. This position will be responsible for the following:

- Conduct program monitoring to establish compliance with federal and state requirements and determine the adequacy and quality of services provided by each AAA.
- Maintain responsibility for preparing reports and recommendations and tracking corrective actions to ensure timely remediation of deficiencies.
- Refine and enhance monitoring protocols to ensure compliance with current statutes and update monitoring tools, written protocols, and other contract requirements
- Review and analyze information gathered from monitoring activities to provide input on a "risk-based" approach to monitoring.

- Research, develop, and conduct training related to program requirements for CDA and AAA staff and other internal and/or external stakeholders.

- Provide guidance for formative research activities that inform and create content for policy memorandum, technical assistance, partnership goals, material development and evaluation activities for CDA and external partners.

According to CDA, FNS is also asking for increased data collection, training, and technical assistance for the FNS Priority Populations, such as Veterans and Tribal Organizations. The requested position dedicated to monitoring this will allow existing staff to focus on providing more in-depth trainings and intense program technical assistance to AAAs to increase client participation and outcomes in the programs.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CDA respond to the following:

1. Please provide an overview of this proposal.

Issue 4: Health Insurance Counseling and Advocacy Program Funding

Budget Change Proposal – Governor's Budget. CDA requests a one-time authority increase of $2 million from the Health Insurance Counseling and Advocacy Program (HICAP) Special Fund to continue to support increased state and local administration efforts initiated in 2021 to serve more Medicare beneficiaries and improve service quality and access. This proposal has no impact on the General Fund.

Background. HICAP is California's federal State Health Insurance Assistance Program (SHIP). HICAP offers consumer-oriented Medicare counseling and education services including: (1) Community education regarding Medicare Parts A and B, Medicare Part D Prescription Drug Plans, Medicare Advantage (MA) Plans, Medicare Supplement Insurance and long-term care insurance; (2) Individual health insurance counseling that provides objective and accurate comparisons of choices; (3) Informal advocacy services regarding enrollment, disenrollment, claims, appeals, prescription drug exceptions and other urgent Part D Plan coverage issues; and (4) Legal referral and, in some geographic areas, legal assistance for filing grievances and appeals. Eligibility for HICAP services is limited to Medicare beneficiaries and persons imminent of Medicare eligibility.

There are currently 26 local HICAP programs in California that provide Medicare counseling and education services. In 2022, HICAP provided Medicare counseling to about 50,744 clients through a network of approximately 618 volunteers. Local HICAP programs largely rely on volunteers, but experienced a sharp decline in volunteers during COVID-19. In 2021, CDA received limited-term funding to implement efforts to modernize the HICAP program, including funding to increase local staffing to one full-time volunteer coordinator per program, and state operations resources to improve HICAP data management, fiscal oversight, and training and technical assistance. The limited-term positions approved in the 2021 Budget Act were extended by one year in the 2023 Budget Act. During this time, CDA conducted an analysis evaluating the current HICAP infrastructure and design, and a vision for a more equitable and accessible HICAP program.

Staffing and Resource Request. This proposal would further extend those positions and local assistance for one year while CDA develops a strategic roadmap for HICAP modernization. This $2 million request includes $1.5 million in local assistance to continue the limited-term funding for each of the 26 local HICAP programs to have one full-time volunteer coordinator. In addition, the remaining $480,000 will fund the following state operations resources:

- *One Research Data Specialist II:* Oversees, reviews, updates, and provides recommendations for HICAP data collection and reporting. To modernize the local HICAP programs, CDA intends to reassess information that is currently captured and make informed funding decisions based on that information for each local HICAP program. This position will continue to assist the local HICAP programs in reviewing the data to ensure that the HICAP program is reaching its target population and achieving statewide equity goals.

- *Two Associate Governmental Program Analysts (AGPAs):* Reviews, monitors, and supports local HICAP programs in strategically expending state and federal funds to enhance, develop, and expand the program. Responsible for review of the monthly expenditures, closeouts, and annual budgets to ensure that HICAPs were adequately investing in modernizing and expanding services. Engages and meet with local HICAP programs to discuss best practices and assess expansion

efforts. Serves as a project lead for the development of new training resources and updating of existing training resources, coordinates in-person and virtual meetings and training events and provides technical assistance to AAAs and HICAP service providers.

These resources are funded solely by the HICAP Special Fund.

HICAP Special Fund. The HICAP Special Fund receives all of its revenue through a $1.40 fee per person enrolled in a Medicare health care service plan, pursuant to Welfare and Institutions Code 9541.5. The use of this fee revenue deposited into the HICAP Special Fund is limited to the administration of the HICAP program. During the COVID-19 pandemic, the HICAP Special Fund provided a $5 million General Fund loan which was paid back the following year. The current balance of the HICAP Special Fund is $16.6 million, according to the Department of Finance's Fund Condition Statement. Expenditures from the HICAP Special Fund totaled approximately $4.5 million in 2022 and 2023 and are projected at approximately $4.6 million in 2024-25.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that this proposal has no impact on the General Fund. Subcommittee staff additionally notes that there is a growing reserve in the HICAP Special Fund that has carried over the last several years.

Questions. The Subcommittee requests CDA respond to the following:

1. Please provide an overview of this proposal.

2. What are CDA's long-term plans for the HICAP program?

The Subcommittee requests DOF respond to the following:

1. Please describe the condition of the HICAP Special Fund, the limitations on expenditures from the HICAP Special Fund, and the Administration's plans for the current balance in this fund.

Issue 5: Office of the Long-Term Care Patient Representative

Budget Change Proposal – Governor's Budget. CDA requests a net-zero General Fund shift from Local Assistance to State Operations and authority for eight positions in the Office of the Long-Term Care Patient Representative (OLTCPR).

Background. The OLTCPR was established pursuant to Health and Safety Code Section 1418.8, which sets forth procedures to be followed for Skilled Nursing Facility (SNF) and Intermediate Care Facility (ICF) residents who lack capacity to make their own health care decisions and who do not have a legally authorized decision maker, as an alternative to petitioning a court to appoint a public guardian, conservator, health care decision maker, or authorize a health care decision pursuant to the Probate Code. The statute authorizes an interdisciplinary team consisting of the resident's physician, a registered nurse responsible for the resident, other appropriate staff, and a patient representative to review and authorize medical treatment.

Office of the Long-Term Care Patient Representative. The 2022 Budget Act created the OLTCPR, which provides trained representatives for specified long-term care residents who may need medical treatment but lack the capacity to make health care decisions and have no legal surrogate authorized to make decisions on their behalf. The OLTCPR began providing public patient representative services throughout the state on January 27, 2023, using two contracted providers and six Health Program Specialist I (HPS I) staff.

Prior to program implementation, CDA issued a statewide request for application (RFA) to local non-profits and government entities to provide patient representative services. Prior to the release of the RFA, CDA conducted extensive outreach to local Public Guardian Offices, Disability Rights California, and other stakeholders. Despite this outreach, CDA received only two responsive bidders, LA County and a non-profit provider based in Orange County, Sistah Friends. In order to implement the program by the court-ordered date of January 27, 2023, CDA hired state staff to serve as local patient representatives. According to CDA, the eight newly hired state patient representatives have been very successful in delivering services to clients.

Net-Zero General Fund Shift. This proposal is a net-zero General Fund shift of $1.4 million to convert the limited-term state staff who are currently serving as patient representatives into permanent positions. This means shifting the General Fund currently included in the local assistance portion of this funding to state operations. This shift recognizes that the services are being provided directly by state staff instead of being contracted out to other providers, and allows these state staff to continue conducting their work.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this is a net-zero fund shift that has no impact on the General Fund.

Questions. The Subcommittee requests CDA respond to the following:

1. Please provide an overview of this proposal.

Issue 6: Advancing Older Adult Behavioral Health Update

Background. The 2023 Budget Act included $50 million over three years to advance behavioral health for older adults. This investment includes: $30.3 million to local partners for local community older adult behavioral health capacity building; $4.5 million to allow for continued operation of the statewide Older Adult Friendship Line; and $10.5 million for an older adult behavioral health stigma reduction media campaign.

Implementation Update. The components of this three-year investment are either in the early stages of implementation or have not yet been implemented:

- **Older Adult Friendship Line ($4.5 million).** CDA is partnering with the Institute on Aging's Friendship Line to continue the services that began during the COVID pandemic, with enhanced reporting and data collection to evaluate impact. The services initiated February 1, 2024, and will continue through January 31, 2026. The Friendship Line was previously funded with one-time HCBS Spending Plan funds.

- **Older Adult Behavioral Health Ethnic Media Campaign ($10.5 million).** CDA is working with a vendor to embark on a statewide media campaign focused on underserved older adults (race, ethnicity, language, culture, sexual orientation, gender identification) with mental health needs.

- **Capacity Building Grants to Community-Based Organizations ($30.3 million).** CDA is finalizing a Request for Proposals (RFP) for consultant services to incorporate stakeholder input and produce an RFA for a community-based grants program to reach underserved older adults who may be reluctant to seek behavioral health services due to generational, societal or cultural stigmas.

Subcommittee Staff Comment – Informational Item. No action is needed.

Questions. The Subcommittee requests CDA respond to the following:

1. Please provide an update on this program and timing for future expenditures.

Issue 7: CDA Home and Community-Based Services Spending Plan

Update – Home and Community-Based Services (HCBS) Spending Plan. This issue provides an update on spending for the CDA components of the federal HCBS Spending Plan.

Background. As a part of the 2021 Budget Act, the state was required to submit a package of home- and community-based services (HCBS) enhancements—known as the HCBS Spending Plan—to the federal government as a condition of drawing down additional federal funds resulting from a temporary 10 percentage point increase to the federal Medicaid match rate. California's plan included approximately $3 billion in HCBS enhancements (which would be matched by an additional $1.6 billion in standard Medicaid funds, totaling $4.6 billion). The Department of Health Care Services (DHCS) is the lead state agency on the plan, which spans 26 initiatives across six departments under the California Health and Human Services Agency.

The 2023 Budget Act extended the HCBS Spending Plan period to December 31, 2024 to maximize an extension made available by the federal government.

CDA Programs under the HCBS Spending Plan. The HCBS Spending Plan includes the following initiatives under CDA:

Access to Technology for Seniors and Persons with Disabilities: $50 million. This program provides grants to counties to purchase digital devices service plans and training for older adults to access technology. Forty-one counties are participating. All of the participating counties have fully executed contracts. As of September 2023, $11.1 million has been spent.

Senior Nutrition Infrastructure: $40 million. This program provides allocations to local AAAs to issue grants to nutrition providers to improve meal production and delivery infrastructure. All 33 AAAs have finalized grant contracts with CDA and have opted into the program. Since the extension to 2024, CDA has seen many proposals being revised to purchase vehicles originally needed and work completed. As of September 2023, $9.1 million has been spent.

Direct Care Workforce (non-IHSS) Training and Stipends: $150 million. The CalGrows program is a statewide direct care workforce training and stipends program to incentivize, support, and fund career pathways training for the non-IHSS direct care workforce. As of October 31, 2023, direct care workers have completed 20,553 courses offered through the CalGrows Program and 4,782 direct care workers have participated in the program. Approximately $1 million in stipend payments have been paid out to direct care workers since the beginning of the program. The most popular courses among direct care workers include topics related to cultural competency, dementia and Alzheimer's care, and end-of-life care. As of September 2023, $9.6 million has been spent.

Older Adult Resiliency and Recovery: $106 million. This program includes a variety of CDA initiatives to support older adults:

- Senior Nutrition: $20.7 million.
- Senior Legal Services: $18.8 million
- Fall Prevention and Home Modification: $9.4 million

- Family Caregiving Support: $2.8 million
- Digital Connections: $18 million
- Senior Employment Opportunities: $17 million
- Aging and Disability Resource Connections: $9.4 million
- Behavioral Health Line: $2.9 million
- Elder Abuse Prevention Council: $1 million
- State Operations Resources: $6 million

As of September 2023, $16.4 million has been spent.

No Wrong Door/ Aging and Disability Resource Connections (ADRC): $5 million. This includes various initiatives to build out the "No Wrong Door" approach, including a data collection system for Older Americans Act and ADRC programs and a statewide web portal for aging and disability services. CDA is in the process of planning a statewide client relationship management system. The system will allow for statewide reporting on ADRC activities, ad hoc reporting and self-service functionality, and reduced system maintenance costs. As of September 2023, $614,000 has been spent.

Alzheimer's Day Care and Resource Centers: $5 million. This funds a new pilot program called Cal-COMPASS to provide dementia-capable services at licensed centers in the community. Seven contracts were awarded to adult day programs across the state. As of September 2023, $3.2 million has been spent.

HCBS Spending Plan Timeline. Pursuant to the extension authorized in the 2023 Budget Act, departments generally have through December 31, 2024 to spend down the remaining allocations and close out programs.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed. Subcommittee staff notes that while an extension of the HCBS Spending Plan period was ultimately authorized as part of the 2023 Budget Act, actual spending within many HCBS Spending Plan initiatives, including those initiatives under CDA, has materialized significantly slower than the Administration's original projections. While lags in claiming and reimbursements may contribute to lower spending amounts in quarterly reporting, questions remain as to the Administration's ability to spend down remaining funds within the timeline allowed by the federal government. The Joint Legislative Budget Committee has requested information from DOF regarding the plans departments have in place to ensure all remaining funds are spent by the deadline, and timelines for remaining activities and expenditures.

Questions. The Subcommittee requests CDA and DOF respond to the following questions:

1. Please provide an update on the CDA programs included under the HCBS Spending Plan.

2. For those initiatives that demonstrate low spending as of September 2023, how does CDA intend to ensure that all HCBS funds will be spent within the administration's timeline?

3. What is the DOF's process for tracking and adjusting expenditures to ensure all remaining funds are spent by the deadline?

Issue 8: Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to CDA.

Presentation Items:

- **Utilizing Reserves for Long-Term Care Ombudsman Programs.** The California Long-Term Care Ombudsman Association (CLTCOA) proposes $9.3 million in special funds (0942 State Health Facilities Citation Penalty Account and 3098 Licensing and Certification Program Fund), administered by the California Department of Public Health (CDPH), to shore up funding needed to investigate and resolve increasing numbers of complaints and abuse reports. According to CLTCOA, "both special funds, the State Health Facilities Citation Account and Licensing & Certification Program Fund, are earmarked for limited purposes, including LTCOP funding, and regularly begin each year with balances far exceeding their average annual expenditures. These special funds/reserves receive consistent revenues from regulatory penalties levied against long-term care facilities as well as licensing application and renewal fees paid by skilled nursing facilities, neither of which will be impacted by the budget deficit. Through increasing access to LTCOP services, the state will also save millions of dollars on unnecessary regulatory enforcement actions through LTCOPs' work proactively resolving health, safety, and quality of life issues in facilities in future years."

- **Ensuring Sustainability for the Aging and Disability Resource Connection (ADRC), Maintaining Investments related to the Master Plan on Aging.** The California Association of Area Agencies on Aging (C4A) proposes $26 million in 2024-25, increasing to $52 million in 2025-26 and ongoing to increase the sustainability of the ADRC program. According to C4A, "the original vision of ADRCs was to establish trusted sources of information in every community where people, particularly older adults and people with disabilities, can turn for the full range of long term supports and services options and have a means to access public long term support services and benefits. Currently, $10 million is allocated annually to ADRCs in California to accomplish this vision. As of now, all $10 million will be allocated among 15 designated and 8 emerging (i.e. currently in development) ADRCs in this fiscal year. There is no additional funding available to support AAAs or Independent Living Centers who are in the process of applying for emerging status such as Alameda and Contra Costa counties, nor for LA County, an emerging AAA that will begin developing its program this calendar year. Therefore, in order for the ADRC program to continue development as a critical aspect of the Master Plan's intent to develop a "No Wrong Door" strategy, the allocation must be raised. It must be raised to account for a current inflation rate of 3.1 percent. It must be raised to continue to expand the ADRC program throughout California, so that all older Californians and individuals with disabilities have access to the program. It must be raised so that there is not the brutal zero sum game that happens when funding is capped but more and more programs are entering the program and competing for a fixed pot of money."

PUBLIC COMMENT ON ISSUES 1-8

SENATE
CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

AGENDA
Joint Informational Hearing –
Senate Health Committee and Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services

Wednesday, March 13, 2024
1:30 p.m. -- 1021 O Street, Room 1200

Progress Reforming Medi-Cal's Behavioral Health Services Through the CalAIM Behavioral Health Initiative

I. Welcoming Remarks and Introductions

- Senator Richard Roth, Chair of Senate Health Committee
- Senator Caroline Menjivar, Chair of Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services

II. Overview of the CalAIM Behavioral Health Initiative

- Michelle Baass, Director, Department of Health Care Services
- Brian Fitzgerald, Division Chief, Local Governmental Financing Division, Department of Health Care Services

III. Stakeholder Perspectives

- Michelle Cabrera, Executive Director, California Behavioral Health Directors Association
- Le Ondra Clark Harvey, Chief Executive Officer, California Council of Community Behavioral Health Agencies
- Adrienne Shilton, Vice President, Public Policy & Strategy, California Alliance of Child and Family Services
- Kiran Savage-Sangwan, Executive Director, California Pan-Ethnic Health Network

IV. Committee Questions

V. Public Comment

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, March 14th, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

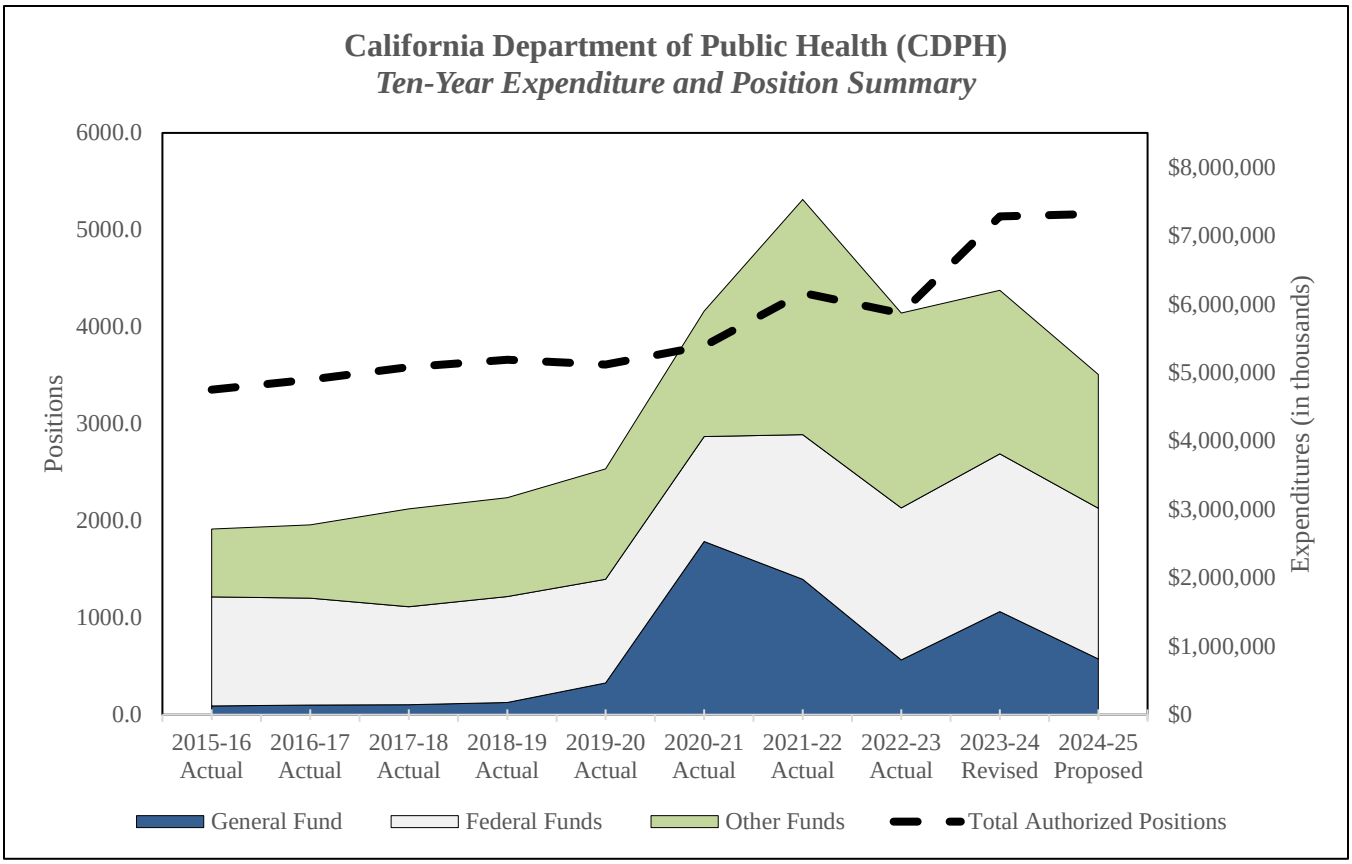
Consultant: Scott Ogus

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

Issue 1: Overview



California Department of Public Health - *Department Funding Summary* *(dollars in thousands)*				
Fund Source	***2022-23 Actual***	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	$802,439	$997,168	$1,507,755	$815,317
Federal Funds	$2,218,300	$2,249,494	$2,301,540	$2,200,573
Other Funds	$2,847,002	$2,288,817	$2,393,217	$1,955,278
Total Department Funding:	**$5,867,741**	**$5,535,479**	**$6,202,512**	**$4,971,168**
Total Authorized Positions:	**4140.4**	**5084.0**	**5139.6**	**5165.4**
Other Funds Detail:				
Breast Cancer Research Account (0007)	$2,095	$718	$385	$587
Nuclear Planning Assessment Acct (0029)	$762	$1,078	$1,087	$1,091
Motor Vehicle Acct, Trans. Fund (0044)	$1,291	$1,709	$1,721	$1,723
Sale of Tobacco to Minors Ctrl Acct (0066)	$25	$1,052	$1,062	$1,063

Occup. Lead Poisoning Prev Acct (0070)	$1,743	$4,174	$2,600	$3,100
Medical Waste Management Fund (0074)	$2,909	$3,180	$3,266	$3,276
Radiation Control Fund (0075)	$29,423	$31,349	$31,832	$31,902
Tissue Bank License Fund (0076)	$463	$1,629	$1,670	$1,675
Childhood Lead Poisoning Prev Fund (0080)	$29,246	$47,438	$47,857	$47,922
Export Document Program Fund (0082)	$412	$624	$569	$706
Clinical Lab. Improvement Fund (0098)	$13,081	$16,110	$16,579	$16,607
Health Statistics Special Fund (0099)	$20,618	$32,362	$33,509	$33,686
Dept. of Pesticide Regulation Fund (0106)	$291	$359	$362	$363
Air Pollution Control Fund (0115)	$302	$317	$320	$320
CA Health Data and Planning Fund (0143)	$240	$240	$240	$240
Food Safety Fund (0177)	$10,523	$12,288	$12,189	$13,305
Genetic Disease Testing Fund (0203)	$162,288	$187,608	$167,770	$181,545
Health Education Account, Prop 99 (0231)	$37,317	$42,992	$43,106	$39,040
Research Account, Prop 99 (0234)	$2,790	$4,274	$4,300	$4,003
Unallocated Account, Prop 99 (0236)	$1,890	$1,715	$1,812	$1,803
Infant Botulism Treatment/Prev Fund (0272)	$6,514	$14,041	$14,072	$18,278
Child Health and Safety Fund (0279)	$485	$551	$551	$551
Registered Enviro. Health Spec Fund (0335)	$438	$503	$509	$510
Indian Gaming Spec Dist Fund (0367)	$8,064	$8,497	$8,514	$8,519
Vectorborne Disease Account (0478)	$141	$209	$213	$195
Toxic Substances Control Acct (0557)	$351	$584	$585	$586
Domestic Violence Training/Ed Fund (0642)	$295	$685	$706	$709
CA Alzheimer's Research Fund (0823)	$618	$680	$686	$687
Special Deposit Fund (0942)	$8,015	$8,971	$9,012	$9,016
Reimbursements (0995)	$518,797	$873,972	$1,013,709	$575,977
Drug and Device Safety Fund (3018)	$6,624	$7,873	$8,423	$7,461
WIC Manufacturer Rebate Fund (3023)	$194,081	$217,313	$189,616	$190,373
Medical Marijuana Program Fund (3074)	$0	$0	$0	$0
AIDS Drug Assistance Program Fund (3080)	$240,742	$308,186	$258,146	$273,357
Cannery Inspection Fund (3081)	$4,344	$4,342	$4,493	$4,511
Mental Health Services Fund (3085)	$1,953	$2,598	$2,743	$2,767
Licensing and Certification Fund (3098)	$263,399	$296,881	$307,875	$313,858
Gambling Addiction Program Fund (3110)	$150	$150	$150	$350
Birth Defects Monitoring Prog Fund (3114)	$2,310	$2,556	$2,576	$2,579
Lead-Related Construction Fund (3155)	$948	$1,363	$1,394	$1,401
Cost/Impl Acct, Air Poll. Ctrl Fund (3237)	$401	$400	$408	$410
Cannabis Control Fund (3288)	$467	$601	$601	$601
State Dental Program Acct., Prop 56 (3307)	$26,886	$32,954	$33,068	$35,100
Tobacco Law Enforcement Acct. Prop 56 (3308)	$0	$0	$0	$0

Tobacco Prev/Control Prog Acct. Prop 56 (3309)	$0	$0	$0	$0
DPH Tobacco Law Enforc, Prop 56 (3318)	$6,397	$4,647	$4,656	$4,071
DPH, Tobacco Prev/Ctrl, Prop 56 (3322)	$98,366	$85,041	$85,217	$100,491
TGI Wellness and Equity Fund (3385)	($12,729)	$0	$12,729	$0
Industrial Hemp Enroll/Oversight Fund (3396)	$0	$1,253	$0	$2,113
Opioid Settlement Fund (3397)	$8,221	$22,750	$60,329	$16,850
California Emergency Relief Fund (3398)	$1,143,015	$0	$0	$0

Background. The Department of Public Health (CDPH) delivers a broad range of public health programs. Some of these programs complement and support the activities of local health agencies in controlling environmental hazards, preventing and controlling disease, and providing health services to populations who have special needs. Others are primarily state-operated programs, such as those that license health care facilities.

According to CDPH, the goals of these programs include the following:

1. Achieve health equities and eliminate health disparities.
2. Eliminate preventable disease, disability, injury, and premature death.
3. Promote social and physical environments that support good health for all.
4. Prepare for, respond to, and recover from emerging public health threats and emergencies.
5. Improve the quality of the workforce and workplace.

The department is composed of seven major program areas:

(1) Center for Healthy Communities – This center works to prevent and control chronic diseases, such as cancer, cardiovascular diseases, asthma, adverse pregnancy outcomes, and diabetes; reduce the prevalence of obesity; provide training programs for the public health workforce; prevent and control injuries, violence, deaths, and diseases related to behavioral, environmental, and occupational factors; promote and support safe and healthy environments in all communities and workplaces; and prevent and treat problem gambling.

(2) Center for Environmental Health – This center works to protect and improve the health of all California residents by ensuring the safety of drinking water, food, drugs, and medical devices; conducts environmental management programs; and oversees the use of radiation through investigation, inspection, laboratory testing, and regulatory activities.

(3) Center for Family Health – This center works to improve health outcomes and reduce disparities in access to health care for low-income families, including women of reproductive age, pregnant and breastfeeding women, and infants, children, and adolescents and their families.

(4) Center for Health Care Quality – This center regulates the quality of care in approximately 8,000 public and private health facilities, clinics, and agencies throughout the state; licenses nursing home administrators, and certified nurse assistants, home health aides, hemodialysis technicians, and other direct care staff.

(5) Center for Infectious Disease – This center works to prevent and control infectious diseases, such as HIV/AIDS, viral hepatitis, influenza and other vaccine preventable illnesses, tuberculosis, emerging infections, and foodborne illnesses.

(6) Center for Health Statistics and Informatics – This center works to improve public health by developing data systems and facilitating the collection, validation, analysis, and dissemination of health information.

(7) Public Health Emergency Preparedness – This program coordinates preparedness and response activities for all public health emergencies, including natural disasters, acts of terrorism, and pandemic diseases. The program plans and supports surge capacity in the medical care and public health systems to meet needs during emergencies. The program also administers federal and state funds that support CDPH emergency preparedness activities.

State of the State's Public Health. The 2018 Budget Act included the following supplemental reporting language requiring CDPH to provide information on the State of the State's Public Health.

Item 4265-001-0001—Department of Public Health

1. ***State of the State's Public Health***. At its first budget subcommittee hearings of the 2019-20 budget process, the Department of Public Health shall report to the health and human services budget subcommittees of both houses of the Legislature a summary of key public health statistics in California. The briefing and related handout shall include excerpted information from the County Health Status Profiles report on key public health indicators, including available information about these indicators' trends, for issues that the department considers major existing or emerging public health issues. The briefing and related handout may, for example, provide statistics on issues such as opioid overdoses and naloxone treatments, the number of people infected with sexually transmitted diseases (STDs) and the geographic regions in which STD transmissions are highest, rates of diabetes and/or other chronic diseases among various subpopulations, or recent public health outbreaks.

SB 184 (Committee on Budget and Fiscal Review), Chapter 47, Statutes of 2022, codified the annual State of the State's Public Health report, delivered by the State Public Health Officer, into the Health and Safety Code (Section 101320.3).

Sexual Orientation and Gender Identity (SOGI) Data Collection. As part of its public health mission, CDPH collects data regarding Californians' health and well-being, incidence of infectious and chronic disease, vital records, among other data collection efforts. AB 959 (Chiu), Chapter 565, Statutes of 2015 requires state departments, including CDPH, to collect and report voluntarily provided self-identification about sexual orientation and gender identity (SOGI) when collecting ancestry or ethnic origin information. Despite these requirements, a recent audit by the California State Auditor found that CDPH has been slow to adopt and enforce standardized definitions, guidelines, and training to ensure the consistent collection, analysis, and reporting of SOGI data. As a result, CDPH has limited ability to identify and address health disparities that exist in the LGBTQ population in California.

The audit identified 129 forms collected by CDPH that collect ancestry or ethnic origin information and may be required by state law to also collect SOGI data. However, CDPH asserted that 105 of those forms are subject to an exemption that permits, but does not require, CDPH to collect SOGI data because the forms are collected by a third-party entity, such as a local health jurisdiction or a health care provider. Among the 24 remaining forms not subject to the exemption, the audit found seven do not collect complete SOGI data because of a lack of clear and consistent policies regarding collection of the data. Examples

of data forms that do not collect SOGI information due to the third party exemption are the California Cancer Registry, the Adult HIV/AIDS Case Report Form, and most infectious disease case report forms.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of CDPH's programs and budget.

2. Please present the State of the State's Public Health report, pursuant to the provisions of SB 184.

3. Please respond to the findings of the 2023 state audit regarding the collection of SOGI data by CDPH.

4. The audit reported that the vast majority of forms collected by CDPH are exempt from mandatory SOGI collection because they are collected by a third party. However, CDPH is permitted to collect SOGI data on these forms. Why did CDPH choose not to collect SOGI data for 105 of the 129 forms identified by the auditor?

5. In the absence of collecting SOGI information in the vast majority of its data streams, how does CDPH identify public health issues that specifically impact the LGBTQ community?

6. How does CDPH plan to address these gaps in its data collection efforts to effectively respond to public health issues for LGBTQ Californians?

Issue 2: The Future of Public Health – Investments in State and Local Public Health Infrastructure

The Future of Public Health - Legislative Oversight. In response to years of inadequate funding of the state's public health system that left Californians vulnerable during the COVID-19 pandemic, the 2022 Budget Act included trailer bill language to authorize the Future of Public Health program at CDPH, and included 404 positions and General Fund expenditure authority of $300 million annually, to modernize California's public health system with the goal of protecting and improving the health of all Californians. Of these resources, $200.4 million provides direct support for California's 61 local health jurisdictions and $99.6 million supports statewide public health priorities at CDPH. In addition to these long overdue investments, the Legislature approved other resources to address state and local public health infrastructure, including investments in information technology, workforce development, and post-pandemic review. As the state continues its exit from the acute phase of the COVID-19 pandemic, the subcommittee would like to examine how recent budget investments are improving the delivery of essential public health services to Californians, fostering improvements in population health, and preparing the state for future pandemics and other public health emergencies. The subcommittee would also like to examine the work that remains to be done, including necessary funding, to achieve the goal of a complete, equitable, and functional public health system.

Background. "The governmental public health infrastructure has suffered from political neglect and from the pressure of political agendas and public opinion that frequently override empirical evidence." These words were printed, not in any recent publication discussing pre- and post-COVID-19 public health infrastructure, but more than 20 years ago in the Institutes of Medicine's (IOM) "The Future of the Public's Health in the 21st Century"[1]. This report was published in 2003 after the anthrax and bioweapons scares the nation experienced after the terrorist attacks of September 11th, 2001. The report itself was a follow-up to the IOM's 1988 publication "The Future of Public Health" which was initiated to address a growing perception that "this nation has lost sight of its public health goals and has allowed the system of public health activities to fall into disarray."[2]

The decades-long inattention and underfunding of our public health system typically is laid bare during public health emergencies. The 2002 IOM report was prompted by a public health emergency related to a terrorist attack involving anthrax and the United States Postal Service, as well as the potential for other use of bioweapons to harm Americans. The current inquiry by this subcommittee will cover recent investments in public health infrastructure that were implemented in response to the gaps in our public health system that were made apparent by the state's response to the COVID-19 pandemic.

The Impact of Public Health. Public health is often invisible to those who most benefit from its work and influence. Many of the advances in civilized society Californians take for granted are made possible by the efforts of public health workers operating in the background of their lives. Public health workers monitor and track outbreaks of infectious diseases, most notably and recently the COVID-19 pandemic, but also outbreaks of measles, hepatitis A, and sexually transmitted infections (STIs). Public health workers make sure the food Californians eat is free of food-borne pathogens and other dangerous

[1] Institute of Medicine. "The Future of the Public's Health in the 21st Century". 2003. The National Academies Press. Washington, D.C.

[2] Institute of Medicine. "The Future of Public Health". 1988. The National Academies Press. Washington, D.C.

contaminants. Public health workers regulate the quality of health facilities, including hospitals, clinics, and nursing homes to ensure the places Californians go to seek medical care are safe, clean, and are capable of providing high-quality services. Public health engages in a wide variety of population health interventions, from the Black Infant Health programs that seek to reduce vast disparities in maternal and infant morbidity and mortality, to Childhood Lead Poisoning Prevention programs that ensure California's kids have a safe place to grow up, to tobacco prevention programs that reduce smoking and lung-related diseases.

Public health becomes most visible to policymakers and the public when it is unsuccessful: an uncontrolled disease outbreak, a failure to protect the food supply, or the persistence of health disparities. As a result, there is a limited constituency to advocate for maintaining adequate funding for essential public health services, often public health workers themselves, healthcare providers, or community-based organizations focused on public health or health disparities. For decades, the level of public investment in public health at the national, state, and local level has been significantly below what is needed for a truly equitable public health system that can keep Californians healthy and safe.

California's Public Health System. The federal Centers for Disease Control and Prevention (CDC) has identified 10 Essential Public Health Services. These services provide a framework for public health systems to protect and promote the health of all people in all communities. The 10 Essential Public Health Services are as follows[3]:

1) Assess and monitor population health status, factors that influence health, and community needs and assets.
2) Investigate, diagnose, and address health problems and hazards affecting the population.
3) Communicate effectively to inform and educate people about health, factors that influence it, and how to improve it.
4) Strengthen, support, and mobilize communities and partnerships to improve health.
5) Create, champion, and implement policies, plans, and laws that impact health.
6) Utilize legal and regulatory actions designed to improve and protect the public's health.
7) Assure an effective system that enables equitable access to the individual services and care needed to be healthy.
8) Build and support a diverse and skilled public health workforce.
9) Improve and innovate public health functions through ongoing evaluation, research, and continuous quality improvement.
10) Build and maintain a strong organizational infrastructure for public health.

California's Department of Public Health delivers a broad range of public health programs. Some of these programs complement and support the activities of local health agencies in controlling environmental hazards, preventing and controlling disease, and providing health services to populations who have special needs. Others are primarily state-operated programs, such as those that license health care facilities.

[3] Centers for Disease Control and Prevention. Ten Essential Public Health Services (Revised 2020). http://cdc.gov/publichealthgateway/publichealthservices/essentialhealthservices.html. Accessed March 2, 2024.

In addition to the state department, 61 local health jurisdictions from each of California's 58 counties and from three cities (Berkeley, Long Beach, and Pasadena) support public health interventions at the local level. Local health jurisdictions are funded by 1991 Realignment funds, local county General Fund, and a variety of state and federal funding streams for specific programs.

Public Health Workforce Shortages. The COVID-19 pandemic has laid bare the decades-long underinvestment in public health in California, the nation, and the world, particularly in developing the public health workforce. Since the height of the pandemic, many public health officers identified additional staff resources as the most important resource they would have wanted to be available before the pandemic began. According to the California Future Health Workforce Commission, 61 percent of managers and supervisors, and 44 percent of non-supervisory staff at the California Department of Public Health are eligible for retirement, and the department estimates two-thirds of its workforce will retire in the next five years. At the local level, county and city health departments report challenges in recruiting and retaining well-qualified workers, citing a lack of tools for recruiting, limited options for advancement, and instability of funded positions.[4] The instability of funding is a particular problem the Legislature attempted to address in the Future of Public Health investment included in the 2022 Budget Act. Most local public health funding is categorical, tied to specific programs or activities, with no flexibility to support comprehensive public health strategies. In addition, the Legislature attempted to address challenges in public health workforce development with a package of workforce initiatives aimed at improving recruitment, retention, and training of public health professionals.

The Future of Public Health. The 2022 Budget Act included 404 positions and annual General Fund expenditure authority of $300 million to support the Future of Public Health, a long overdue investment in strengthening state and local public health systems. Of these resources, $99.6 million is available annually for CDPH to address statewide public health priorities, and $200.4 million is available to local health jurisdictions.

CDPH Investments – Six Foundational Services. The Future of Public Health investments in the state public health system are categorized into six foundational services identified by the Future of Public Health Work Group established in 2021 to evaluate public health infrastructure investments. CDPH received 404 positions and $99.6 million in the following areas:

- *Workforce.* 270 positions and General Fund expenditure authority of $58 million annually to increase staffing capacity and to attract, develop, and retain a diverse, multi-disciplinary public health workforce. According to CDPH, these positions and resources support the following initiatives:

    - A multi-channel, proactive, and digitally-enabled recruitment and hiring functions to attract top talent that reflects the diversity of California's population.
    - A simplified, aligned job classification system within CDPH that can be used as a model for local health jurisdictions.
    - A holistic organizational culture transformation at CDPH and at the local level to promote inclusiveness and support employees, incentivizing them to stay and grow into leadership through development support, career pathways, sufficient staffing, salary and non-salary incentives.

[4] California Future Health Workforce Commission. *Meeting the Demand for Health.*

- A culture of growth and learning via a well-structured, up-to-date, and highly accessible training program.
- A comprehensive competency-based performance management system to define necessary competencies across public health roles, assess gaps in skillsets, and track competency development along career progression pathways.
- An operational planning function to develop staffing benchmarks, make sure minimum recommended staffing standards are met at the state and local level, and support agile, strategic workforce deployment based on need.
- An Office of Policy and Planning to conduct strategic planning to address current and emerging threats to public health, be accountable for effective and efficient use of funds, establish clear and quantifiable performance targets, and ensure actions are aligned with strategic priorities and increased equity.

- *Emergency Preparedness and Response.* 77 positions and General Fund expenditure authority of $27.6 million annually for a scalable and sustainable structure that can rapidly identify hazards and deploy resources to mitigate and contain public health threats. These positions and resources support the following initiatives:

  - Developing a 24 hour intelligence hub and surveillance network
  - A dedicated core team to support regular refreshes of planning, training, and exercises
  - Developing a regional resourcing model to support regional coordination with Regional Disaster Medical Health Specialists.
  - Developing a dedicated recovery unit to establish public health recovery guidance after public health events.

- *IT, Data Science, and Informatics.* 133 positions and $235.2 million in 2022-23, 144 positions and $156.6 million in 2023-24, and $61.8 million annually thereafter to support maintenance and operations of information technology systems established during the COVID-19 pandemic. These resources were authorized by a companion proposal specific to these components in the 2022 Budget Act.

- *Communications and Public Education.* 26 positions and General Fund expenditure authority of $4.5 million annually to achieve a proactive, personalized, and highly coordinated communication strategy that meets the varying demands of California's diverse population and provides capacity to tailor messages to effectively reach all Californians. These positions and resources support the following initiatives:

  - Creation of a core public health communications strategy and deployment plan.
  - Bolster operational capabilities and adequate capacity to effectively disseminate communications.

- *Community Partnerships.* Five positions and General Fund expenditure authority of $2.9 million to achieve a holistic partnership network engaged to support California's state and local public health efforts. These positions and resources support the following initiatives:

  - Development of a community partnership strategy and plan to outline roles and intended capabilities of community partners in supporting California's public health mission.

- Dedicated community engagement personnel to deliver personalized outreach and uptake of an overarching community partnership strategy.

- *Community Health Improvement.* 23 positions and General Fund expenditure authority of $6.1 million annually to provide a comprehensive community health improvement strategy that emphasizes a life-course approach, resiliency, equity, and prevention. These positions and resources support the following initiatives:

  - Community health financing strategies that emphasize a life-course approach to health and public health prevention.
  - Dedicated community health improvement team to support policy making across agencies.
  - Development and implementation of a behavioral mental health program to address the current behavioral and mental health crisis in the state.

Local Health Jurisdiction Funding. The Future of Public Health investments in the state's 61 local health jurisdictions provide $200.4 million allocated annually based on the following methodology:

- Each jurisdiction receives a base funding amount of $350,000 per year. After this allocation, the remaining balance of the annual funding will be provided proportionally as follows:

  - 50 percent based on most recent population data
  - 25 percent based on most recent poverty data
  - 25 percent based on most recent share of the population that is Black/African American, Latinx, or Native Hawaiian/Pacific Islander

According to CDPH, the distribution of funds for 2023-24 through 2025-26 by local health jurisdiction were as follows:

Future of Public Health Funding – Local Health Jurisdictions				
Local Health Jurisdiction	**Amount Funded**		**Local Health Jurisdiction**	**Amount Funded**
Alameda	$6,537,374		Orange	$13,351,733
Alpine	$354,669		Pasadena	$1,033,025
Amador	$487,482		Placer	$1,661,462
Berkeley	$912,213		Plumas	$420,397
Butte	$1,224,383		Riverside	$11,782,061
Calaveras	$515,889		Sacramento	$7,072,450
Colusa	$459,468		San Benito	$647,267
Contra Costa	$4,844,667		San Bernardino	$11,284,416
Del Norte	$474,087		San Diego	$14,356,108
El Dorado	$1,015,644		San Francisco	$3,639,888
Fresno	$6,126,172		San Joaquin	$4,031,505
Glenn	$482,368		San Luis Obispo	$1,459,610
Humboldt	$938,349		San Mateo	$3,141,653
Imperial	$1,568,105		Santa Barbara	$2,433,999

Inyo	$423,621		Santa Clara	$7,296,326
Kern	$5,381,815		Santa Cruz	$1,475,452
Kings	$1,175,830		Shasta	$1,031,180
Lake	$641,433		Sierra	$362,059
Lassen	$481,278		Siskiyou	$538,801
Long Beach	$2,807,624		Solano	$2,186,187
Los Angeles	$47,328,331		Sonoma	$2,174,091
Madera	$1,217,976		Stanislaus	$2,975,808
Marin	$1,241,952		Sutter	$787,927
Mariposa	$421,598		Tehama	$642,801
Mendocino	$723,894		Trinity	$405,254
Merced	$1,882,112		Tulare	$3,085,604
Modoc	$394,124		Tuolumne	$543,960
Mono	$403,629		Ventura	$3,857,269
Monterey	$2,563,477		Yolo	$1,397,659
Napa	$896,612		Yuba	$707,793
Nevada	$690,079		**TOTAL**	**$200,400,000**

Once local health jurisdictions receive the funding, they must certify that the funding will only be used to supplement, rather than supplant, existing levels of services supported by local funds. These funds must also be used in the following proportions:

- 70 percent of the funds must support the hiring of permanent city or county staff, including benefits and training.
- 30 percent may be used for equipment, supplies, and other administrative purposes, such as facility space, furnishings and travel.

Each local health jurisdiction must also submit a three-year Local Public Health Workplan and yearly Spend Plan, beginning in the 2023-24 fiscal year, with the following requirements:

1) Each Workplan should be informed by a Community Health Assessment (CHA), Community Health Improvement Plan (CHIP), and/or a Strategic Plan.
2) If a CHA or CHIP has not been completed, the Workplan should describe how the local health jurisdiction will identify and address relevant community health issues and provide a plan and target data for completion of a CHA and CHIP.
3) The Workplan and Spend Plan should describe what positions the local health jurisdiction plans to hire and how it will support local objectives in which it has direct influence.
4) The Workplan should include an evaluation plan and metrics.
5) Local health jurisdictions will be required to measure and evaluate the process and outcome of hiring permanent staff.

In addition to the three-year planning requirements, a local health jurisdiction must annually present updates to its Board of Supervisors or City Council on the state of the jurisdiction's public health. This update must identify the most prevalent current cases of morbidity and mortality, causes of morbidity and mortality with the most rapid three-year growth rate, and health disparities. The presentation must also

provide an update on progress addressing these issues through the strategies and programs identified in the Workplan, as well as identify policy recommendations for addressing these issues.

Public Health Workforce Investments. The 2022 Budget Act included significant investments in health workforce development in the areas of behavioral health, primary care, public health, and reproductive health. The public health investments in the package were as follows:

- *Waive Public Health Nurse Certification Fees* - $3.3 million annually for three years to waive public health nurse certification fees for three years to reduce barriers to registered nurses entering the field of public health.

- *Public Health Incumbent Upskilling* - $3.2 million annually for four years to establish the Public Health Workforce Career Ladder Education and Development Program to provide education and training for existing employees within the public health workforce, including stipends to offset up to 12 hours per week to complete educational requirements and grants for local health departments for additional hiring.

- *California Public Health Pathways Training Corps* - $8 million annually for three years to expand the California Public Health Pathways Training Corps, which provides a workforce pathway for early-career public health professionals from diverse backgrounds and disproportionately impacted communities.

- *California Microbiologist Training* - $3.2 million annually for three years to increase the number of Public Health Microbiologist Trainee spots, which is a requirement to become certified in California as a public health microbiologist.

- *Public Health Lab Aspire* - $3.2 million annually for three years to restore funding for the Lab Aspire Program, to address the severe shortage of trained and qualified public health laboratory directors.

- *California Epidemiologic Investigation Service (Cal-EIS) Training* - $3.2 million annually for three years to increase the number of Cal-EIS fellows, and train epidemiologists for public health leadership positions.

Panel Discussion. The subcommittee has convened the following panelists to discuss recent investments in public health infrastructure and the status of our state and local public health systems:

- **Sara Bosse**, Public Health Director, Madera County
- **Sara Rudman, M.D., M.P.H.,** Deputy Health Officer, Santa Clara County
- **Kim Saruwatari,** Public Health Director, Riverside County
- **Ronald Coleman Baeza,** Managing Director of Policy, California Pan-Ethnic Health Network
- **Melissa Stafford-Jones,** President and CEO, Public Health Institute

Subcommittee Staff Comment—This is an informational item.

Discussion Questions. The subcommittee has requested CDPH and panelists to respond to the following:

CDPH

1. The 2021 Budget Act included resources to conduct both a Post-COVID Equity Analysis and a Pandemic Response Review. Please provide an update on the status of these two reports.

2. The 2022 Budget Act authorized the Future of Public Health program, with six major program areas:

   a. Workforce – The Workforce area included 270 positions and $57.9 million to increase staffing capacity. Please provide an overview of the following:

      i. The primary classifications and activities to which the 270 positions allocated in this area were assigned.
      ii. Hiring status of these positions, including vacancy rates.
      iii. A description of how these positions have contributed to attracting, developing, and retaining a diverse, multi-disciplinary public health workforce, including any available outcomes measures, metrics, or other data.

   b. Emergency Preparedness and Response – The Emergency Preparedness and Response area included 77 positions and $27.6 million to support a scalable and sustainable structure that can rapidly identify hazards and deploy resources to mitigate and contain public health threats. Please provide an overview of the following:

      i. The primary classifications and activities to which the 77 positions allocated in this area were assigned.
      ii. Hiring status of these positions, including vacancy rates.
      iii. Status of development of the 24/7 intelligence hub, and whether this effort is distinct from the syndromic surveillance efforts currently underway to connect to CDC's BioSense Platform.
      iv. Planning, training and exercises that have occurred to date, or are being planned, including the expected cycle and content of these activities to prepare for emergency response.
      v. How these positions have supported the development of a regional resourcing model and deployment of Regional Disaster Medical Health Specialists.
      vi. Implementation status of the Dedicated Recovery Unit, and any deployments of the units to date.

   c. Information Technology (IT), Data Science, and Informatics – The IT, Data Science, and Informatics area included a total of 133 positions and $235.2 million in 2022-23, 144 positions and $156.6 million in 2023-24, and $61.8 million annually thereafter to support maintenance and operations of IT systems, including those established during the COVID-19 pandemic. Please provide an overview of the following:

      i. The IT systems supported by these investments.
      ii. How these IT systems have changed since they were established, including consolidation, elimination, or obsolescence as the COVID-19 pandemic has receded.
      iii. Any gaps remaining in the IT, data science, and informatics infrastructure.

d. Communications and Public Education to Promote Healthy Behavior – The Communications and Public Education to Promote Healthy Behavior area included 26 positions and $4.5 million to achieve a proactive, personalized, and highly coordinated communications strategy to meet the varying demands of California's diverse population and provide capacity to tailor messages effectively to reach all Californians. Please provide an overview of the following:

   i. How these positions and resources have improved public health communications capabilities at CDPH.
   ii. How these positions and resources have improved tailored messages to specific populations of Californians.
   iii. What types of messaging is being developed and deployed utilizing these resources.

e. Community Partnerships – The Community Partnerships area included five positions and $2.9 million to develop a community partnership strategy and plan with dedicated community engagement personnel. Please provide an overview of the following:

   i. How these positions and resources have strengthened relationships with community partners.
   ii. How community partners work with CDPH and local health departments to extend the reach of the public health system.

f. Community Health Improvement – The Community Health Improvement area included 23 positions and $6.1 million to provide a comprehensive community health improvement strategy that emphasizes a life course approach, resiliency, equity, and prevention. Please provide an overview of the following:

   i. Development or implementation of any community health financing models.
   ii. Development or implementation of a Behavioral Mental Health Program.

3. Please describe the department's administration of the Future of Public Health local health jurisdiction funding allocations, including a brief overview of how funding is distributed to each jurisdiction.

4. Please describe the details and requirements of the three year Local Public Health Workplan process. How does CDPH ensure those Workplans are responsive to evidence-based public health needs in each jurisdiction?

5. Please describe the status of the public health workforce investments included in the 2022 Budget Act and maintained in the 2023 Budget Act.

Local Health Officers/Representatives (Madera, Riverside, Santa Clara)

1. Please provide a brief overview of the programs and services your local public health system delivers to local residents, including infectious disease prevention, population and community health, and other interventions.

2. What funding challenges did your local public health system encounter most frequently prior to the COVID-19 pandemic?

3. Given the benefit of hindsight as we emerge from the COVID-19 pandemic, what specific resources or investments, had they been in place, would have improved the ability of your local public health system to respond to the public health emergency?

4. What is your local public health department's annual allocation from the $200.4 million ongoing investment in the Future of Public Health?

5. How has your local public health department used this funding to date to improve the delivery of essential public health services?

6. What are the most common classifications of personnel that have been hired with the 70 percent allocation for hiring permanent staff? To which programs have those personnel been assigned, and what is the capacity for redirection of those staff to other programs during public health emergencies?

7. What types of additional investments have been made with the remaining 30 percent allocation for equipment, supplies, and other administrative purposes?

8. Please describe at a high-level the components of your local public health department's Workplan submitted to CDPH as a condition of Future of Public Health funding, as well as the process that led to its completion (e.g. stakeholder engagement, surveys, evaluations/analysis, etc..).

9. In what other local public health planning is your department engaged (e.g. CHA, CHIP, accreditation, etc..) and how will this planning help guide your efforts under the Future of Public Health?

10. How have investments made by the state CDPH in information technology infrastructure helped assist your public health department to deliver essential public health services? How could these investments be improved?

11. How does your local public health department utilize resources and programming to address health disparities that exist on either a statewide basis, or are unique to your community? How do you identify those disparities and what types of interventions are deployed?

12. What gaps remain in your ability to deliver essential public health services, prepare for public health emergencies, address inequities, and improve population health? How should the state, as well as local health departments and community partners be thinking long-term about addressing these remaining gaps?

<u>California Pan-Ethnic Health Network (CPEHN)</u>

1. Please describe CPEHN's view of the challenges facing our state and local public health system.

2. What do you see as the primary failures of the public health system during the COVID-19 pandemic? What investments would help address these issues and prevent similar problems during a future public health emergency?

3. What could the state or local public health systems be doing to better address health disparities statewide and in local communities?

4. Where are state and local public health systems falling short in collecting the necessary data to identify existing and emergent public health needs at a community level? Have any of the recent investments helped improve the ability to collect the necessary data? What additional steps should be taken or resources invested to ensure the public health system has the necessary data to inform interventions?

5. How does CPEHN view the necessary relationship between the public health system and community-based organizations? Please describe some examples of organizations CPEHN works with that help extend the reach of public health interventions in local communities.

6. How should the state approach delivering on critical statewide public health priorities given the differences in priorities of local public health departments and counties in our decentralized public health system?

Public Health Institute (PHI)

1. Please provide a brief overview of the work PHI does to improve our public health system.

2. What are the critical challenges facing the delivery of essential public health services, addressing health disparities, and improving population and community health in a post-pandemic California?

3. In your view, how have the recent state and local investments through the Future of Public Health and other information technology investments helped improve the public health system?

4. Please describe how the organizations PHI works with support and extend the reach of the public health system.

5. How could state and local public health systems better support those organizations to improve the delivery of essential public health services, address health disparities, and improve population and community health?

6. In the long-term, what types of investments or areas of focus should be prioritized by state and local governments to develop a complete, functional public health system that can meet future public health challenges and respond to emergent public health threats?

Issue 3: Maintenance and Operations Support for SaPHIRE System

Budget Change Proposal – Governor's Budget. CDPH requests General Fund expenditure authority of $26.9 million in 2024-25. If approved, these resources would support maintenance and operations for the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE) system.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$26,900,000	$-
Total Funding Request:	**$26,900,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background. The Surveillance and Public Health Information Reporting and Exchange (SaPHIRE), previously known as the California COVID Reporting System (CCRS), was implemented in October 2020 to address the challenges of managing COVID-19 laboratory data, providing upgraded capabilities for managing all communicable disease laboratory data sent electronically. During the COVID-19 pandemic, CDPH data systems were not able to manage the high volume of data associated with COVID-19. According to CDPH, there were also substantial quality problems with the data, including: incomplete fields such as race and ethnicity, duplicate reports, incorrect or incomplete information for accurate patient matching, inconsistent use of codes and test labels for laboratory test and result values, system limitations to ingest and handle the rapid surge in lab result submissions, and architecture limitations that prevented adequate system performance monitoring.

In August 2020, during the height of the pandemic, CDPH conducted a challenge-based procurement to develop and implement the CCRS system. For the maintenance and operations phase of this project, CDPH engaged in a new, challenge-based procurement process in March 2022, resulting in a contract with a new vendor. A transition between the old and new vendor was completed by December 31, 2022.

The 2022 Budget Act included General Fund expenditure authority of $26.3 million in 2022-23 to provide maintenance and operations for one year to support and operate CCRS. The one-year funding strategy was designed to allow CDPH to obtain updated maintenance and operations costs through a competitive process and include these costs in a proposal for 2023-24. As part of the transition, CCRS was renamed to SaPHIRE to recognize that the system receives data for all reportable conditions, not just COVID-19.

The 2023 Budget Act included General Fund expenditure authority of $30.9 million in 2023-24 for maintenance and operations costs for SaPHIRE. These resources were approved to support integration and critical data exchange between SaPHIRE and other core CDPH systems, including the California Reportable Disease Information Exchange (CalREDIE) and the California Confidential Network for Contact Tracing (CalCONNECT).

The SaPHIRE system receives laboratory results for COVID-19 and other infectious diseases related to California residents from laboratories across the United States in accordance with state regulations. The great majority of laboratory results are submitted electronically and managed by the system. More than 350 entities are connected directly to this system and submit results on behalf of thousands of other entities, including laboratories that report their own results, and aggregators or hubs that report results for

multiple laboratories. Incoming laboratory results are compared against existing laboratory results to identify, match, and remove duplicate records. Processed laboratory results are transferred to CDPH's Enterprise Rhapsody Gateway for routing to downstream public health systems, including CalREDIE, and the Los Angeles and San Diego County disease surveillance systems. Data processed through SaPHIRE is used to monitor infectious disease and testing trends.

Resource Request. CDPH requests General Fund expenditure authority of $26.9 million in 2024-25 to support maintenance and operations for the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE) system. According to CDPH, maintenance and operations services for the SaPHIRE system include system operations, system monitoring, and ensuring compliance with the latest security and privacy policies, including vulnerability monitoring, intrusion detection, and firewall management. Of the $26.9 million requested, $26.3 million is for technology service contracts, software licenses, and interdepartmental services, and $622,000 is for personnel costs to support redirected staff. CDPH's Information Technology Services division reports having permanently redirected **one Information Technology (IT) Associate**, **one IT Technology Specialist I** position**,** and **one IT Technology Specialist II** position to provide SaPHIRE operations management and support.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

2. The requested maintenance and operations resources are only for 2024-25. What is the plan for ongoing maintenance and operations of these systems?

3. What would be the consequences of allowing the contract for maintenance and operations for SaPHIRE to expire?

Issue 4: Information Technology Savings and Reversions

General Fund Budget Solution – Governor's Budget. CDPH requests reversion of three-year General Fund expenditure authority approved in the 2023 Budget Act of $900,000 that would have supported continuation of the COVID-19 information website. CDPH also estimates one-time General Fund savings of $1.7 million in 2024-25 due to unfilled positions for the Disease Surveillance Readiness, Response, Recovery and Maintenance of Information Technology Operations proposal, also approved in the 2023 Budget Act.

Multi-Year Funding Request Summary		
Fund Source	**2023-24**	**2024-25***
0001 – General Fund	($2,600,000)	($900,000)
Total Funding Request:	**($2,600,000)**	**($900,000)**
Total Requested Positions:	**0.0**	**0.0**

* Additional savings by fiscal year: 2025-26: ($900,000).

Background. During the COVID-19 pandemic, the state improved or created multiple information technology systems to support the state's pandemic response efforts. Among these systems was the COVID-19 website, covid19.ca.gov, established by the Office of Digital Innovation using approximately $2.3 million of one-time emergency funding. According to CDPH, the COVID-19 website aims to enable users to find the information they need, understand it quickly, and act accordingly. Information included on the COVID-19 website includes current safety measures, vaccines, vaccination records, masks, travel, testing, financial help, education and childcare, and safety in the workplace. The website offers answers to COVID-19 questions, data on COVID-19 impacts and response measures, and guidance about how to prevent getting sick or having a severe illness, reopen and operate businesses and facilities safely, and access relief. At the end of the 2021-22 fiscal year, maintenance and support for the COVID-19 website was transferred to CDPH. CDPH reports it currently supports the site using contractor resources.

The 2023 Budget Act included General Fund expenditure authority of $900,000 in 2023-24, 2024-25, and 2025-26, to support security and translation services to optimize maintenance of the COVID-19 website, including three contract staff (a Product Manager, a Content Designer, and a Web Engineer), translation services, software licensing, and IT security tools.

The 2022 Budget Act included 130 positions and General Fund expenditure authority of $235.2 million in 2022-23, ten additional positions and General Fund expenditure authority of $156.1 million in 2023-24, and $61.8 million annually thereafter to maintain and operate a dozen technology platforms and applications necessary to support both COVID-19 response activities and other potential disease outbreaks.

General Fund Budget Solution. CDPH requests reversion of three-year General Fund expenditure authority approved in the 2023 Budget Act of $900,000 that would have supported continuation of the COVID-19 information website. CDPH also estimates one-time General Fund savings of $1.7 million in 2024-25 due to unfilled positions for the Disease Surveillance Readiness, Response, Recovery and Maintenance of Information Technology Operations proposal, also approved in the 2023 Budget Act.

According to CDPH, the COVID-19 website will be redirected to a CDPH-hosted site in June 2024. CDPH indicates there will be minimal to no changes in the user experience of the website. CDPH reports it never filled the contract positions nor procured the services, licenses and other tools included in the 2023 budget proposal. In addition, CDPH reports its savings reported from the 2022 budget proposal is due to positions that were unfilled or delayed.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 5: AIDS Drug Assistance Program (ADAP) Estimate

AIDS Drug Assistance Program (ADAP) Estimate. The Office of AIDS within CDPH administers the AIDS Drug Assistance Program (ADAP), which provides access to life-saving medications for Californians living with HIV and assistance with costs related to HIV pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) for Californians at risk of acquiring HIV. Clients are eligible for ADAP services if they meet the following criteria:

1. are HIV infected;
2. are a resident of California;
3. are 18 years of age or older;
4. have a Modified Adjusted Gross Income that does not exceed 500 percent of the Federal Poverty Level; and
5. are not fully covered by or eligible for Medi-Cal or any other third-party payer.

ADAP Programs. ADAP provides services to its clients through support for medications, health insurance premiums and out-of-pocket costs. Participating clients generally fall into one of five categories:

1. *Medication-only clients* are people living with HIV who do not have private insurance and are not enrolled in Medi-Cal or Medicare. ADAP covers the full cost of prescription medications on the ADAP formulary for these individuals, who only receive services associated with medication costs.
2. *Medi-Cal Share of Cost clients* are persons living with HIV enrolled in Medi-Cal who have a share of cost for Medi-Cal services. ADAP covers the share of cost for medications for these clients, who only receive services associated with medication costs.
3. *Private insurance clients* are persons living with HIV who have some form of health insurance, including through Covered California, privately purchased health insurance, or employer-based health insurance and who receive services associated with medication costs, health insurance premiums and medical out-of-pocket costs.
4. *Medicare clients* are persons living with HIV enrolled in a Medicare plan. This group is divided into three client subgroups: Part B, Part C, and Part D. These groups receive medication benefits and may also receive assistance with health insurance premiums and medical out-of-pocket costs.
5. *Pre-exposure prophylaxis (PrEP) Assistance Program (PrEP-AP) clients* are individuals who are at risk for, but not infected with, HIV and have chosen to take PrEP, or post-exposure prophylaxis (PEP), as a way to prevent infection. For insured clients, PrEP-AP pays for PrEP- and PEP-related medical out-of-pocket costs and covers the gap between what the client's insurance plan and the manufacturer's co-payment assistance program pays towards medication costs. For uninsured clients, PrEP-AP only provides assistance with PrEP- and PEP-related medical costs, as medication is provided free by the manufacturer's medication assistance program.

ADAP is funded by federal funds and the ADAP Rebate Fund (Fund 3080). The federal government began funding state programs to assist people living with HIV to purchase antiretroviral medications in 1987. Since 1990 with the passage of the Ryan White Comprehensive AIDS Resources Emergency Act, now known as the Ryan White Program, the federal Health Resources and Services Administration (HRSA) provides funding to states for ADAP programs. In addition to federal funds, ADAP receives significant funding from mandatory and voluntary manufacturer rebates for ADAP drug expenditures.

ADAP Estimate – Governor's Budget. The November 2023 ADAP Local Assistance Estimate reflects revised 2023-24 expenditures of $353.9 million ($245.6 million ADAP Rebate Fund and $108.3 million federal funds), a decrease of $44.1 million or 11.1 percent compared to the 2023 Budget Act. According to CDPH, this decrease is primarily due to lower than expected projected medication expenditures for medication-only clients and lower than expected medical out-of-pocket expenditures for insured client groups. For 2024-25, CDPH estimates ADAP expenditures of $366 million ($260.8 million ADAP Rebate Fund and $105.2 million federal funds), an increase of $8 million or 3.4 percent compared to revised expenditures for 2023-24. According to CDPH, the continued relative reduction of expenditures between 2024-25 and 2023-24, compared to the 2023 Budget Act, is similarly due to lower than expected medication and out-of-pocket expenditures.

ADAP Local Assistance Funding Summary		
Fund Source	**2023-24**	**2024-25**
0890 – Federal Trust Fund	$108,293,000	$105,189,000
3080 – AIDS Drug Assistance Program Rebate Fund	$245,631,000	$260,794,000
Total ADAP Local Assistance Funding	**$353,923,000**	**$365,983,000**

ADAP tracks caseload and expenditures by client group. CDPH estimates ADAP caseload and expenditures for 2023-24 and 2024-25 will be as follows:

Caseload by Client Group	**2023-24**	**2024-25**
Medication-Only	8,642	7,594
Medi-Cal Share of Cost	50	50
Private Insurance	9,215	9,168
Medicare	6,879	6,648
PrEP Assistance Program	7,720	8,921
TOTAL	**32,506**	**32,380**

Expenditures by Client Group	**2023-24**	**2024-25**
Medication-Only	$218,915,786	$205,757,740
Medi-Cal Share of Cost	$497,082	$497,082
Private Insurance	$87,980,854	$97,708,573
Medicare	$27,116,761	$29,672,877
PrEP Assistance Program	$15,472,841	$21,213,732
TOTAL	**$349,983,324**	**$354,850,003**

Costs for administration of ADAP are estimated to be $4.6 million in 2023-24 and $9.2 million in 2024-25. Costs for administration of PrEP-AP are estimated to be $3.9 million in 2023-24 and $4.9 million in 2024-25. Enrollment costs are estimated to be $7.3 million in 2023-24 and $7.5 million in 2024-25. Beginning in 2017-18, ADAP introduced a new reimbursement methodology for enrollment sites which

includes a payment floor and variable payments dependent on new client medication enrollment, client bi-annual self-verification, client annual re-enrollment, client insurance assistance enrollment and re-enrollment, and PrEP client enrollment and re-enrollment.

In addition, ADAP's pharmacy benefit manager, Magellan Rx Management, contracts with a safety net recovery vendor, Health Management Systems (HMS) to pursue recovery of paid claims when a liable third party is identified post-payment. CDPH estimates recoveries of $13.9 million in 2023-24 and $12.5 million in 2024-25.

ADAP Rebate Fund Loan to the General Fund. The Governor's January budget proposes to loan $500 million from the ADAP Rebate Fund to the General Fund to support the General Fund shortfall. The 2023 Budget Act similarly included a $400 million loan from the fund to the General Fund. According to CDPH, the fund is expected to maintain a reserve of $176.7 million after program expenditures and the loans to the General Fund in 2024-25. According to CDPH, these resources were available for loan to the General Fund due to higher than expected rebate collections from drug manufacturers providing medications for the ADAP program.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH and Department of Finance to respond to the following:

1. Please provide a brief overview of the major changes to the ADAP Estimate.

2. Please provide an overview of the two loans to the General Fund from the ADAP Rebate Fund, including the terms of repayment, and contingency language proposed to ensure the loan does not undermine the ADAP program.

Issue 6: Clinical Dental Rotations

General Fund Budget Solution and Trailer Bill Language – Governor's Budget. CDPH requests to shift General Fund expenditure authority of $9.7 million to the Proposition 56 Tobacco Tax Fund's State Dental Account. These resources, originally approved in the 2022 Budget Act, support clinical dental rotations in underserved areas. CDPH also proposes trailer bill language to include program requirements originally included in budget bill language in state statute.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	($9,700,000)	$-
3307 – State Dental Account, Prop 56 Tobacco Tax Fund	$9,700,000	$-
Total Funding Request:	**$-**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background. The 2022 Budget Act included General Fund expenditure authority of $10 million, and the Legislature approved provisional budget bill language, for the Office of Oral Health to establish community-based clinical education rotations for dental residents or for dental students in their final year. The language requires the office to establish the program in consultation with the California Dental Association, California dental schools, and other stakeholders. Eligible community clinical settings include federally qualified health centers, private dental offices, and mobile dentistry offices located in a designated dental health professional shortage area.

General Fund Budget Solution and Trailer Bill Language. CDPH requests to shift General Fund expenditure authority of $9.7 million to the Proposition 56 Tobacco Tax Fund's State Dental Account. These resources, originally approved in the 2022 Budget Act, support clinical dental rotations in underserved areas. CDPH also proposes trailer bill language to include program requirements originally included in budget bill language in state statute. The funding shift is intended to address the General Fund shortfall and, according to CDPH, makes use of an unexpended fund balance available in the State Dental Account of the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 Fund (Prop 56 Tobacco Tax Fund). According to CDPH, the codification of the governing budget bill language in statute is necessary as the budget bill language is tied to a General Fund appropriation, which would change with the proposed fund shift.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

2. After accounting for the use of the unexpended fund balance in the State Dental Account, is the Office of Oral Health still receiving the $30 million allocation required by statute, or does this fund shift offset some of that required allocation?

3. What is the remaining fund balance in the State Dental Account?

Issue 7: Syndromic Surveillance

Trailer Bill Language – Governor's Budget. CDPH proposes trailer bill language to collect syndromic surveillance data for the purposes of administering a syndromic surveillance program and system.

Background. The 2022 Budget Act included 30 positions and General Fund expenditure authority of $10 million annually to provide near real-time notification for public health departments, first responders, and the community for emerging or intensified climate-sensitive diseases. In addition, the 2022 Budget Act included resources to support information technology, data science, and informatics, including implementation of a syndromic surveillance system. CDPH indicated at the time that it planned to implement the Center for Disease Control and Prevention's (CDC) National Syndromic Surveillance Program (NSSP), known as the BioSense platform. California is currently the only state not actively engaged in BioSense.

According to the CDC, syndromic surveillance provides public health officials with a timely system for detecting, understanding, and monitoring health events. By tracking symptoms of patients in emergency departments, the public health system can detect unusual levels of illness to determine whether a response is warranted. Syndromic surveillance data can be used for infectious disease outbreaks like flu, COVID-19, respiratory syncytial virus (RSV), or West Nile virus, as well as other illnesses related to opioid use, e-cigarette or vaping product use, or the impacts of natural disasters.

The NSSP is a collaboration among the CDC, other federal agencies, state and local public health departments, and academic and private sector partners. These entities collect, analyze, and share electronic patient encounter data received from emergency departments, urgent and ambulatory care centers, inpatient healthcare settings, and laboratories. These data are integrated through the BioSense platform, which allows the public health community to use analytic tools and timely availability of data to detect, characterize, monitor, and respond to events of public health concern.

According to CDPH, while resources were provided in the 2022 Budget Act to participate in BioSense, statutory authority is needed to allow CDPH to collect syndromic surveillance data and establish a statewide syndromic surveillance system. CDPH proposes to use the BioSense platform as the state's syndromic surveillance system, with hospitals providing visit data using automated interoperable data feeds for data elements such as chief complaints, diagnosis codes, and demographics. CDPH and local health departments will be able to monitor the data to analyze and respond to health- and climate-related outcomes.

Trailer Bill Language – Syndromic Surveillance. CDPH proposes trailer bill language to collect syndromic surveillance data for the purposes of administering a syndromic surveillance program and system. Specifically, the proposed language would do the following:

1) Authorizes CDPH to develop and administer a syndromic surveillance program, which will collect public health and medical data in near real-time to detect and investigate changes in the occurrence of disease in the population and support emergency response or responses to emerging public health threats and conditions impacting California residents.

2) Authorizes CDPH to designate an existing syndromic surveillance system or create a new surveillance system to which entities will report.

3) Requires the system to, at a minimum, provide public health practitioners access to and use of a secure, integrated electronic health system with standardized analytic tools and processes to rapidly collect, evaluate, share, and store syndromic surveillance data.

4) Requires general acute care hospitals with emergency departments to submit electronic data to the syndromic surveillance system as required by CDPH.

5) Notwithstanding any other privacy laws, authorizes CDPH, at its discretion, to approve sharing submitted data with: 1) the CDC, 2) state government entities, 3) local health departments, and 4) persons with a valid scientific interest under certain circumstances who agree to maintain confidentiality.

Broad Privacy Exemptions Included in Proposed Language. CDPH reports that the department is a hybrid entity under the Health Information Portability and Accountability Act (HIPAA), with some parts of the department considered covered entities and others not covered by the act's privacy and other provisions. CDPH's Center for Infectious Diseases, which would administer the syndromic surveillance system, is not a covered entity under HIPAA, but is governed by the California Information Practices Act of 1977 (IPA). CDPH reports the IPA does not allow the sharing of personally identifiable information (PII), such as the information that would be collected in the syndromic surveillance system, with the federal government. The proposed language notwithstanding any other privacy law is meant to notwithstand that portion of the IPA to allow sharing of PII with the federal government. The Legislature may wish to consider whether more finely tailored exemption language would be appropriate to address this specific data sharing challenge, rather than the broad exemption from all California privacy laws proposed by CDPH.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposed trailer bill language.

2. Please describe the specific privacy provisions that are barriers to the implementation of the syndromic surveillance system that require notwithstanding all of California's privacy laws.

3. Would any other entities besides general acute care hospitals with emergency departments be required to report data to the system?

Issue 8: Office of Problem Gambling Community Based Organization Grants

Budget Change Proposal – Governor's Budget. CDPH requests annual expenditure authority from the Gambling Addiction Program Fund of $200,000. If approved, these resources would allow CDPH's Office of Problem Gambling to provide community grants to expand prevention and treatment services to priority populations.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
3110 – Gambling Addiction Program Fund	$200,000	$200,000
Total Funding Request:	**$200,000**	**$200,000**
Total Requested Positions:	**0.0**	**0.0**

* Resources ongoing after 2025-26.

Background. The Office of Problem Gambling (OPG) is responsible for developing and providing quality statewide prevention and treatment programs and services to address gambling disorder and deliver services to the people of California. OPG provides training of health care professionals, educators, and nonprofit organizations in the identification of problem gambling behavior and the knowledge of referral services for gambling disorder treatment programs. OPG is funded by an annual allocation of $8 million supported by gaming revenue deposited in the Indian Gaming Special Distribution Fund.

According to CDPH, OPG provides treatment services to people who gamble, including the California Gambling Education and Treatment Services (CalGETS), which offers no cost services to problem gamblers and affected individuals by licensed health providers specially trained in the treatment of gambling disorder behavior. CalGETS provides services to Californians 18 and over through outpatient, intensive outpatient, Problem Gambling Telephone Intervention, and residential treatment programs. OPG has developed relationships with community organizations, but has never provided direct support to these organizations.

In a 2022 audit, the California State Auditor reported that OPG has not adequately measured prevalence nor disparities by demographics, and recommended that OPG improve its data collection and surveillance of demographic disparities in problem gambling in California to inform the locations and populations most in need of program services and to evaluate how well it is serving those populations. In response, OPG has expanded its surveillance and identified that the majority of people receiving treatment from the CalGETS treatment services network are White, non-Hispanic, and Asian/Pacific Islander. The data suggests that White, Non-Hispanic Californians are over-represented in the treatment population and Hispanic/Latinos are under-represented. Treatment data indicate tribal populations may also be under-represented.

Resource Request. CDPH requests annual expenditure authority from the Gambling Addiction Program Fund of $200,000 to allow OPG to provide community grants to expand prevention and treatment services to priority populations. OPG proposes to release a Request for Applications (RFA) for community-based organizations to apply for funding, including specific criteria such as reporting and evaluation activities. OPG would build upon its history of strong relationships with community-based organizations, such as the National Asian Pacific American Families Against Substance Abuse, NICOS Chinese Health Coalition, Visión y Compromiso, and the Riverside-San Bernardino County Indian Health, Inc.

OPG indicates the initial funding cycle would be for three years, with $50,000 per year available to four community-based organizations. Evaluations would be conducted at the end of each grant cycle to inform program design and priority populations.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 9: Climate and Health Surveillance Program Reversion

General Fund Budget Solution – Governor's Budget. CDPH requests reversion of General Fund expenditure authority of $3.1 million previously authorized in the 2022 Budget Act, due to expected one-time savings related to delays in implementation of information technology contracting.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	($3,085,000)	$-
Total Funding Request:	**($3,085,000)**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background. The 2022 Budget Act included 30 positions and General Fund expenditure authority of $10 million annually to provide near real-time notification for public health departments, first responders, and the community for emerging or intensified climate-sensitive diseases. According to CDPH, California is one of the few states that lack a statewide syndromic surveillance mechanism for heat illness. As a result, CDPH is currently unable to provide a count of deaths and illnesses during heat waves. With the 2022 Budget Act allocation, development of syndromic surveillance methods for heat illness will provide near real-time data from hospitals and other data sources to identify heat illness events early, monitor trends, and track illnesses and deaths, in order to support public health officials to respond quickly to minimize health risks from heat waves. Development of a syndromic surveillance system will also allow for surveillance of the many other negative public health impacts that have been increasing or are projected to increase due to climate change, such as asthma, chronic obstructive pulmonary disease, respiratory infections, cardiovascular effects, and other impacts of wildfire smoke. Researchers estimate that wildfire smoke during August and September 2020 may have led to as many as 3,000 excess deaths among elderly Californians. Syndromic surveillance can provide a near real-time alert about the number, location, and other characteristics of people affected by these conditions.

National Syndromic Surveillance Program and BioSense Program. The federal Centers for Disease Control and Prevention (CDC) administers the National Syndromic Surveillance Program (NSSP), a collaboration among CDC, federal partners, state and local health departments, and academic and private sector partners who have formed a national syndromic surveillance and data collection system and community of practice. Participants in the NSSP collect, analyze, and share electronic patient encounter data received from emergency departments, and in some cases urgent and ambulatory care centers, inpatient healthcare settings, and laboratories. The NSSP also leads the BioSense Program and the technological platform on which the data collection for BioSense is built, known as ESSENCE. The public health community uses the ESSENCE platform to view data received as early as 24 hours after a patient's visit to a participating facility. Public health officials use these timely and actionable data to detect, characterize, monitor, and respond to events of public health concern.

BioSense is active in 49 states with more than 6,000 healthcare facilities contributing data daily. Approximately 71 percent of all emergency departments in the country contribute data to the NSSP.

CDPH reports it does not have a syndromic surveillance system and does not actively engage in the BioSense Program and ESSENCE platform at the state level. CDPH has multiple, condition specific, siloed systems with variable degrees of ability for reporting and access to sharing data between the state

and local levels. While CDPH has not yet engaged in the development of an official, unified 24 hour syndromic surveillance system, 55 counties in California are eligible to participate in the NSSP's BioSense Program. At present, 14 percent, or 46 out of 320, of California's emergency departments contribute data to the BioSense Platform. In a separate request, CDPH is proposing trailer bill language to implement a syndromic surveillance program, based on the BioSense Platform, utilizing resources adopted in the 2022 Budget Act.

General Fund Budget Solution. CDPH requests reversion of General Fund expenditure authority of $3.1 million previously authorized in the 2022 Budget Act, due to expected one-time savings related to delays in implementation of information technology contracting. According to CDPH, these are one-time savings as the contracting process is expected to be completed later in the current fiscal year.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposed reversion.

2. Please describe how this project differs from the department's other syndromic surveillance efforts?

3. Why are additional resources and positions necessary for climate-specific conditions? Is the BioSense system not equipped to detect these conditions without additional support?

Issue 10: Women, Infants, and Children (WIC) Program Estimate

WIC Program Estimate – Governor's Budget. The November 2023 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of $1.4 billion ($1.1 billion federal funds and $213.8 million WIC manufacturer rebate funds) in 2022-23 and $1.3 billion ($1.1 billion federal funds and $221.9 million WIC manufacturer rebate funds) in 2023-24. The federal fund amounts include state operations costs of $64.5 million in 2022-23 and 2023-24.

Women, Infants, and Children (WIC) Funding Summary			
	2023-24	**2024-25**	**BY to CY**
Fund Source	***Revised***	***Proposed***	***Change***
0890 – Federal Trust Fund			
State Operations:	$66,266,000	$69,483,000	$3,257,000
Local Assistance:	$1,143,465,000	$1,199,006,000	$55,541,000
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$189,616,000	$190,373,000	$757,000
Total WIC Expenditures	**$1,399,347,000**	**$1,458,862,000**	**$59,515,000**

Background. The WIC program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding individuals, infants, and children up to their fifth birthday at or below 185 percent of the federal poverty level. WIC program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific nutritious foods that are redeemable at WIC-authorized retail food outlets throughout the state. The WIC program receives federal funds from the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966. Specific uses of WIC Program funds are governed by federal laws and regulations, and CDPH must report funds and expenditures monthly.

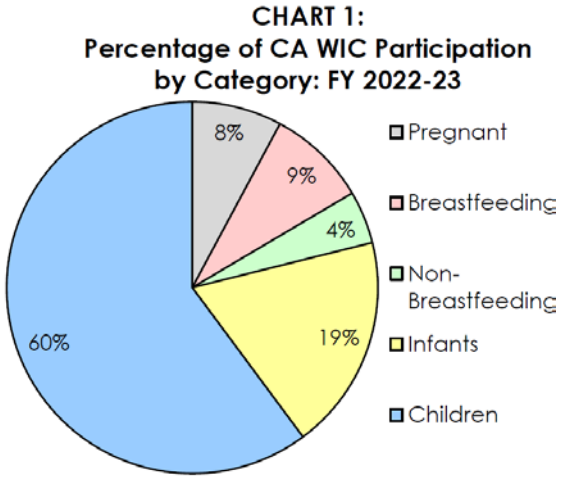
The WIC program's food expenditures are funded by a combination of federal grants and rebates from manufacturers of infant formula. Federal WIC regulations require that state WIC programs have sole supplier rebate contracts in place with infant formula manufacturers for milk-based and soy-based infant formula. As infant formula is provided to WIC recipients, the program receives a rebate from the manufacturer which is used to fund additional food expenditures. In addition to food expenditures, the program receives federal funds from the Nutrition Services and Administration (NSA) grant, which are used to contract with local agencies for direct services provided to WIC families including intake, eligibility determination, benefit issuance, nutrition education, breastfeeding support, and referrals to health and social services. The NSA grant also funds state operations for administering the WIC program.

WIC Participant Caseload. Food expenditures are divided into five participant categories, each with special nutrition needs that influence food costs:

- **Pregnant individuals** are eligible for the WIC program at any point in their pregnancy, and receive supplemental foods high in protein, calcium, iron, folate and folic acid, vitamin A, and vitamin C to support optimal fetal development.

- **Breastfeeding individuals** are eligible for benefits up to their infant's first birthday, and receive an enhanced supplemental food package with foods high in protein, calcium, iron, vitamin A, and vitamin C to support caloric needs during breastfeeding.
- **Non-breastfeeding individuals** are eligible for benefits up to six months post-partum, and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium, and achieving a healthy weight after delivery.
- **Infants** are eligible from birth until one year of age. The WIC Program promotes breastfeeding as the optimal infant feeding choice due to its many health, nutritional, economic, and emotional benefits to parents and babies. Infants may also receive supplemental foods that are rich in protein, calcium, iron, zinc, vitamin A, and vitamin C during this critical period of development.
- **Children** are eligible from age one up to age five, and receive supplemental foods rich in protein, calcium, iron, vitamin A, and vitamin C. These nutrients have been shown to be lacking in the diets of children who qualify for WIC benefits and are needed to meet nutritional needs during critical periods of development.

According to the WIC program Estimate, WIC participation by category, as of 2022-23, was as follows:



Participant Category	Annual Average Monthly Participation 2022-23
Pregnant	74,933
Breastfeeding	82,969
Non-Breastfeeding	43,831
Infants	179,014
Children	575,089
TOTAL	**955,836**

Caseload Estimates. The budget assumes 992,640 average monthly WIC participants in 2023-24, an increase of 36,804 or 3.9 percent compared to the average monthly actual WIC participants in 2022-23, and an increase of 1,021 or 0.1 percent, compared to estimates in the 2023 Budget Act. The budget assumes 1,029,734 average monthly WIC participants in 2024-25, an increase of 37,094 or 3.7 percent from the revised 2023-24 caseload estimate.

Food Expenditures Estimate. The budget includes $1 billion ($821.5 million federal funds and $189.6 million WIC Manufacturer Rebate Fund) in 2023-24 for WIC program food expenditures, an increase of $7.2 million or 0.7 percent, compared to estimates included in the 2023 Budget Act. According to CDPH, the increase in costs is due to a slight increase in estimated participation, an inflationary increase to the fruits and vegetables benefit levels, offset by a slight decrease in food inflation. Food inflation is estimated to be 2.55 percent in 2023-24 compared to 3.28 percent estimated in the 2023 Budget Act. In addition, WIC manufacturer rebate revenue is projected at $189.6 million, which is a decrease of $27.7 million or 12.8 percent compared to estimates in the 2023 Budget Act. According to CDPH, this decrease in rebate revenue is attributable to a reduction in formula purchased per infant following the formula shortage and lower rebate received per can following the transition to a new infant formula contractor.

The budget includes $1.1 billion ($877 million federal funds and $190.4 million WIC Manufacturer Rebate Fund) in 2024-25 for WIC program food expenditures, an increase of $56.3 million or 5.6 percent compared to the revised 2023-24 food expenditures estimate. According to CDPH, this increase in costs is driven by an increase in participation, an estimated food inflation rate of 1.4 percent, and an inflationary increase to the fruits and vegetables benefits level. In addition, WIC manufacturer rebate revenue is projected at $190.4 million, an increase of $757,000 or 0.4 percent compared to the revised 2023-24 estimate.

Nutrition Services and Administration (NSA) Estimate. The budget includes $322 million for other local assistance expenditures for the NSA budget in 2023-24 and 2024-25, unchanged from the 2023 Budget Act. The budget also includes $66.2 million for state operations expenditures in 2023-24, an increase of $1.8 million or 2.7 percent from the level assumed in the 2023 Budget Act, and $69.5 million in 2024-25, an increase of $3.3 million or 4.9 percent from the revised 2023-24 estimate.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the caseload and expenditure changes for the WIC program.

2. Please provide an update on participation in the program as a percentage of eligible individuals in the state.

Issue 11: WIC Modernization

Budget Change Proposal and Trailer Bill Language – Governor's Budget. CDPH requests 18 positions and federal fund expenditure authority of $3 million in 2024-25, and an additional nine positions and federal fund expenditure authority of $4.4 million annually thereafter. If approved, these positions and resources would support modernization of the WIC program services and operations including implementation of online ordering for WIC participants. CDPH also proposes trailer bill language to: 1) provide the WIC program with a regulatory exemption for establishing retail food delivery systems, vendor management, and online shopping program requirements; and 2) update WIC bulletin regulation authority.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0890 – Federal Trust Fund	$2,964,000	$4,444,000
Total Funding Request:	**$2,964,000**	**$4,444,000**
Total Requested Positions:	**18.0**	**27.0**

* Positions and resources ongoing after 2025-26.

Background. According to CDPH, pursuant to a directive from the White House National Strategy on Hunger, Nutrition, and Health, released in September 2022, the United States Department of Agriculture (USDA) has launched the WIC Modernization Initiative with the goals of investing in community-based outreach, streamlining the participant experience, improving the in-store experience, expanding access to farmer's markets, and increasing the diversity and cultural competency of the WIC workforce.

As part of the USDA investment, California's WIC program received $5.7 million in non-competitive federal funds through the 2023 WIC Modernization Grant. This new funding will supplement the existing WIC Nutrition Services and Administration Grant to support the WIC Modernization Initiative.

In February 2023, USDA proposed regulations to remove barriers to online ordering and internet-based transactions by allowing state WIC programs to authorize and manage new types of vendor entities. The proposed regulations also streamline WIC food delivery to support opportunities for WIC participants to benefit from innovations such as mobile ordering and touch payment platforms. In anticipation of these proposed regulations, CDPH is proposing trailer bill language to authorize expedited regulatory authority to approve online shopping and vendor management in the California WIC program.

Modernizing the Shopping Experience for WIC Families. According to CDPH, the retail grocery industry has changed significantly in recent years and the pandemic accelerated the use of alternative shopping options, such as online ordering, online purchasing, and home food delivery. The federal Supplemental Nutrition Assistance Program (SNAP), known as CalFresh in California, allows recipients to use online shopping at nearly 40 grocery chains that comprise hundreds of stores throughout the state, to order and purchase food items using their CalFresh electronic benefit transfer (EBT) cards. The USDA proposed regulation for WIC, coupled with the CDPH WIC Modernization proposal, would provide these additional options for WIC families, as well. CDPH estimates 170 new internet vendors would seek authorization after implementation of this program upon state and federal approval. There are currently 3,700 brick-and-mortar stores authorized to accept the California WIC Card.

Potential for Negative Impacts on Food Access in Certain Communities. Although the expansion of consumer choices in the WIC program with the implementation of online shopping would improve WIC families' experience, there are some potentially negative impacts that could occur in communities in which a brick-and-mortar grocery store may be difficult to site or maintain. In certain, low-income communities, the decision of a grocery chain to open or maintain a brick-and-mortar store may be dependent on the expectation that CalFresh and WIC participants will utilize their food benefits at the store. CDPH and the Legislature may wish to evaluate strategies to avoid undermining the sustainability of brick-and-mortar stores and other local food options with the implementation of online shopping modalities.

Staffing and Resource Request. CDPH requests 18 positions and federal fund expenditure authority of $3 million in 2024-25, and an additional nine positions and federal fund expenditure authority of $4.4 million annually thereafter to support modernization of the WIC program services and operations including implementation of online ordering for WIC participants. Specifically, CDPH requests the following positions and resources:

Vendor Operations and Monitoring Support – Six positions (One in 2024-25; five in 2025-26)

- **One Health Program Specialist (HPS) I** position, beginning in 2024-25, would serve as the lead and subject matter expert for the integration of new WIC vendor types, such as internet and mobile vendors to support online ordering and internet-based shopping transactions; coordinate process and procedure development for the ongoing management of new vendor types; provide continued support to ongoing project coordination and maintenance and operations of technical enhancements to shopping transaction systems.
- **One Associate Governmental Program Association (AGPA)** in the Vendor Intake Unit beginning in 2025-26 would support processing and determination of eligibility for new brick and mortar vendor applications including application review, data entry, document preparation, and correspondence with vendor applicants to address deficiencies.
- **One AGPA** in the Vendor Support Unit beginning in 2025-26 would support the anticipated increase and change in CDPH authorized vendors, including technical assistance and outreach, developing peer group reassessments for brick and mortar and online, and online-only vendors, and serve as a resource for newly authorized online vendors to maintain compliance with program requirements.
- **One AGPA** in the Field Monitoring Unit beginning in 2025-26 would conduct annual monitoring and compliance inspections for a minimum of five percent of authorized vendors, pursuant to USDA requirements.
- **One AGPA** in the Vendor Authorization and Management Unit beginning in 2025-26 would support ongoing contract management and technical support for more than 3,700 authorized brick and mortar vendor stores and support newly authorized internet and mobile vendor stores and corporate contract ownerships.
- **One AGPA** in the Vendor Training Unit beginning in 2025-26 would support USDA mandated vendor training requirements.

Data and Integrity Branch – Four positions (One in 2024-25; three in 2025-26)

- **One Research Scientist (RS) II** position in the Vendor Analysis, Research, and Evaluation Section beginning in 2024-25 would lead the addition of new internet and mobile vendor types, develop new

vendor peer group classifications with associated new food price reimbursement models and statistical techniques for assuring price competitiveness, develop performance measures and a monitoring and evaluation plan to verify that new vendors are meeting program goals and requirements, and sharing results with management to support data-informed decision making.

- **One HPS I** position in the Program Integrity and Audits Section beginning in 2025-26 would analyze data and collaborate with staff to design and implement new oversight strategies to prevent, detect, and respond to potential program abuse strategies associated with the new business processes and vendor types; coordinate with other staff and law enforcement agencies to investigate cases and recommend actions; provide subject matter expertise in the development of social media materials and other communications to educate WIC participants how to avoid theft and loss of benefits through online shopping activities and vendor suspicious behaviors.
- **One RS Supervisor I** position beginning in 2025-26 will lead a new Accountability, Integrity, Research, and Evaluation Section to strengthen accountability and program integrity research activities.
- **One RS II** position in the Accountability, Integrity, Research, and Evaluation Section beginning in 2025-26 would support research staff focusing on conducting data analyses, visualizations, evaluation, and research to enhance program integrity and accountability.

Modernization of Nutrition and Breastfeeding Educational Tools and Resources, and Support for Local Agency Training – Nine positions (All in 2024-25)

- **One Staff Services Manager (SSM) II** position would lead a newly created Program Development Section and would oversee completion of modernization projects to enhance nutrition and breastfeeding education program development for WIC families and update staff training as it relates to more modes and interactive learning opportunities to meet the needs of virtual and in-person WIC Program services.
- **One Public Health Nutrition Consultant (PHNC) III** position would serve as the nutrition subject matter expert and help create nutrition and breastfeeding education for participants pursuant to federal regulations, develop mobile content for mobile friendly education handouts, interactive individual education supports, and new interactive lesson plans and scripts that are engaging for the learner in remote appointments; and assist with development of breastfeeding education and staff training projects.
- **One SSM I** position would serve as chief of the Program Development Unit to oversee workflow for existing redirected staff and two newly proposed positions.
- **One HPS I** position in the Program Development Unit would coordinate new and ongoing development of CDPH communication strategies such as organizing and producing local agency education webinars and trainings that include nutrition and breastfeeding content; develop program content for mobile friendly education handouts, interactive individual education supports, and new interactive lesson plans and scripts that are engaging for the learner in remote appointments.
- **One AGPA** in the Program Development Unit would provide administrative support due to the increased workload to plan and coordinate collaborative meetings with local agencies.
- **One HPS I** position in the Breastfeeding Support Unit would develop content focused on breastfeeding support for mobile friendly education handouts, interactive individual education supports, and new interactive lesson plans and scripts that are engaging for the learner in remote appointments.

- **Two AGPAs** in the Local Policy and Regulations Unit would assist local agency transition to modern practices and processes, collaborate with program staff to develop new policy, implementation practices, training plans, and communications; and participate in ongoing user acceptance training for upgrades to systems resulting from modernization flexibilities, maintenance and operational updates.
- **One Public Health Nutrition Consultant (PHNC) III** position in the Local Services Branch would serve as subject matter expert to lead and coordinate modernization efforts with a focus on rural counties where access to WIC resources is limited.

Statewide Communication, e-Learning, and Graphic Design – Three positions (All in 2024-25)

- **One HPS I** position in the Outreach Specialist Team would plan, implement, and evaluate a wide variety of highly complex, technical and comprehensive statewide communications and outreach efforts for the program; lead projects to support ongoing enhancements for the California WIC App, the California WIC online application, and the California WIC Family Portal; and coordinate ongoing improvements to the MyFamily.WIC.ca.gov website.
- **One HPS I** and **one AGPA** in the Strategic Planning and Innovation Unit would support technical development of e-learning and graphic design development across education, training, and communication projects.

Systems Modernization and Support – Two positions (Both in 2024-25)

- **One HPS II** position and **one HPS I** position in the WIC Change Management Section would support documenting, designing, and testing changes as well as ongoing maintenance and operations due to the modernization changes.

Administrative Support – Three positions (Two in 2024-25, one in 2025-26)

- **Two AGPAs** beginning in 2024-25 and **one AGPA** beginning in 2025-26 would support increased program staffing needs and ongoing assistance including contract and procurement preparations, monitoring appropriation and revenue balances, technical assistance on expenditure and revenue transactions, and guidance and assistance on a variety of personnel policies, standards, and procedures.

Proposed Trailer Bill Language – WIC Modernization. CDPH also proposes trailer bill language to: 1) provide the WIC program with a regulatory exemption for establishing retail food delivery systems, vendor management, and online shopping program requirements; and 2) update WIC bulletin regulation authority.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

2. If this proposal is approved, will the WIC program conduct any analyses to determine the impact of online shopping on the availability of brick-and-mortar food options in communities?

Issue 12: Genetic Disease Screening Program (GDSP) Estimate

Genetic Disease Screening Program Estimate – Governor's Budget. The November 2023 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of $167.8 million ($38.7 million state operations and $129.1 million local assistance) in 2023-24, and $181.5 million ($38.8 million state operations and $142.8 million local assistance) in 2024-25.

Genetic Disease Screening Program (GDSP) Funding Summary			
	2023-24	**2024-25**	**BY to CY**
Fund Source	***Revised***	***Proposed***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$38,670,000	$38,761,000	$91,000
Local Assistance:	$129,100,000	$142,784,000	$13,684,000
Total GDSP Expenditures	**$167,770,000**	**$181,545,000**	**$13,775,000**

Background. According to CDPH, the Genetic Disease Screening Program (GDSP) performs the following tasks to support its mission:

- Screens newborns and pregnant individuals for genetic and congenital disorders in a cost-effective and clinically effective manner. The screening programs provide testing, follow-up, and early diagnosis of disorders to prevent adverse outcomes or minimize clinical effects.
- Ensures quality of analytical test results and program services by developing standards and quality assurance procedures, and monitoring compliance.
- Fosters informed participation in its programs in an ethical manner through a combination of patient, professional, and public education, and accurate and up-to-date information and counseling.
- Provides ongoing critical review, testing, and evaluation of existing programs to ensure program objectives and goals are being met.
- Develops programs to adopt new methods and implement new services that further enhance the effectiveness and efficiency of current and future prevention programs.
- Promotes use of high-quality consumer education materials on genetic disorders, screening for birth defects and genetic services.

GDSP operates two primary screening programs: the Newborn Screening Program and the Prenatal Screening Program. Caseload and expenditures for these programs are reflected in the GDSP Estimate along with operational support costs for the programs.

Newborn Screening (NBS) Program. Newborn screening, recognized nationally as an essential preventive health measure, began in California in 1966 with the testing of infants for phenylketonuria (PKU). In 1980, the program was expanded to include galactosemia, primary congenital hypothyroidism, and included a more comprehensive follow-up system. In 1990, screening for sickle cell disease was added to the screening program, which allows for identification of related non-sickling hemoglobin disorders, including beta-thalassemia major, and Hb E/beta thalassemia. In 1999, the program implemented screening for hemoglobin H and hemoglobin H - Constant Spring disease. In 2005 the screening panel was expanded to include additional metabolic disorders and congenital adrenal hyperplasia (CAH), and

in 2007, the screening panel was expanded to include cystic fibrosis (CF) and biotinidase deficiency (BD). In 2010, Severe Combined Immunodeficiency (SCID) was added to the screening panel.

According to CDPH, disorders screened for by the program have varying degrees of severity and, if identified early, many can be treated before they cause serious health problems. Between 1980 and 2017, 18,920,529 babies were screened resulting in early identification of the following disorders:

Disorder	Cases
Phenylketonuria (PKU)	1,264
Primary Congenital Hypothyroidism	7,857
Galactosemia	1,018
Sickle Cell Disease and other clinically significant Hemoglobinopathies	5,006
Biotinidase Deficiency (BD)	209
Cystic Fibrosis (CF)	636
Congenital Adrenal Hyperplasia (CAH)	376
Metabolic Fatty Acid Oxidation Disorders	741
Metabolic Amino Acid Disorders (other than PKU)	203
Metabolic Organic Acid Disorders	518
Other Metabolic Disorders	62
Severe Combined Immunodeficiencies	75
X-Linked Adrenoleukodystrophy (ALD) and Other Peroxisomal Disorders	50
TOTAL	**18,015**

The NBS program currently screens infants in California for more than 80 separate disorders. Pursuant to SB 1095 (Pan), Chapter 363, Statutes of 2016, two additional disorders, Mucopolysaccharidosis type I (MPS-I) and Pompe disease, were added to the screening panel in 2018. In addition, as conditions are added to the federal Recommended Uniform Screening Panel (RUSP), SB 1095 requires them to be added to the NBS program screening panel within two years. The current fee for screening in the NBS program is currently $211.

NBS Caseload Estimate: The budget estimates NBS program caseload of 409,041 in 2023-24, a decrease of 920 or 0.2 percent, compared to 2022-23 actual total caseload of 409,961. The budget estimates NBS program caseload of 409,299 in 2024-25, an increase of 258 or 0.1 percent, compared to the revised 2023-24 estimate. These estimates are based on state projections of the number of live births in California. CDPH assumes 100 percent of children born in California will participate in the NBS program annually.

Prenatal Screening (PNS) Program. The Prenatal Screening (PNS) program provides prenatal screening services and follow-up diagnostic services, where indicated, to all pregnant individuals in California to detect birth defects during pregnancy. The program offers two types of prenatal screening:

- Cell-free DNA (cfDNA) Screening - Cell-free DNA (cfDNA) is a non-invasive screening test for fetal chromosomal abnormalities that relies on extraction of maternal and fetal cells from a pregnant individual's blood sample. cfDNA can detect chromosomal abnormalities and birth defects including trisomy 21 (Down syndrome), trisomy 18 (Edwards syndrome), and trisomy 13 (Patau syndrome). Compared to the metabolic screening methods previously used by PNS, cfDNA screening results in

fewer false positives and better accuracy resulting in fewer pregnant individuals being referred for diagnostic follow-up services.

- Maternal Serum Alpha-Fetoprotein (MSAFP) Screening – Alpha-fetoprotein (AFP) is a protein mainly produced in the fetal liver and released into the maternal serum (MSAFP) and amniotic fluid. A small amount crosses the placenta and becomes measurable in the maternal serum towards the end of the first trimester. Levels rise steadily through the second trimester. This screening detects neural tube defects, such as open spina bifida or anencephaly, which result in higher than normal MSAFP in maternal serum.

For pregnant individuals with screening results indicating a high risk for a birth defect, the program provides free follow-up diagnostic services at state-approved Prenatal Diagnosis Centers (PDCs). Services offered at these centers include genetic counseling, ultrasound, and amniocentesis. Participation in the screening testing and follow-up services is voluntary and the fee for testing through the PNS program is $344. This represents an increase of $112 from the previous fee level to support cfDNA screening and the addition of prenatal screening for sex chromosome aneuploidy (SCA).

PNS Caseload Estimate: The budget estimates PNS program caseload of 227,937 cfDNA specimens in 2023-24, an increase of 37,408 or 20 percent, compared to 2022-23 actual total caseload of 190,529 specimens. The budget estimates PNS program caseload of 227,973 cfDNA and sex chromosome aneuploidy (SCA) specimens in 2024-25, an increase of 36 or 0.02 percent, compared to the revised 2023-24 estimate. These estimates are based on state projections of the number of live births in California.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the caseload and expenditure changes for the Newborn Screening Program.

2. Please provide a brief overview of the caseload and expenditure changes for the Prenatal Screening Program.

Issue 13: Center for Health Care Quality Estimate

Center for Health Care Quality Program Estimate – Governor's Budget. The budget includes expenditure authority for the Center for Health Care Quality of $481.8 million ($14.8 million General Fund, $107.2 million federal funds, and $326.5 million special funds and reimbursements) in 2023-24, an increase of $19.8 million or 4.3 percent compared to the 2023 Budget Act, and $473.7 million ($8.3 million General Fund, $107.2 million federal funds, and $320.6 million special funds and reimbursements) in 2024-25, a decrease of $8.1 million or 1.7 percent compared to the revised 2023-24 estimate. According to CDPH, the increase in 2023-24 is attributable to baseline adjustments and a projected increase in federal grant expenditures, while the decrease in 2024-25 is attributable primarily to a decrease in federal expenditure authority, offset by an increase of special fund authority for expansion of application and fee processing, and various baseline adjustments.

CHCQ Funding Summary, November 2023 Estimate		
Fund Source	**2023-24**	**2024-25**
0001 – General Fund	$9,960,000	$4,969,000
0890 – Federal Trust Fund	$139,335,000	$130,189,000
0942 – Special Deposit Fund		
Internal Departmental Quality Improvement Account	$716,000	$718,000
State Health Facilities Citation Penalty Account	$2,144,000	$2,144,000
Federal Health Facilities Citation Penalty Account	$6,152,000	$6,154,000
0995 – Reimbursements	$15,614,000	$15,693,000
3098 – Licensing and Certification Program Fund	$307,876 ,000	$313,858,000
Total CHCQ Funding	**$481,797,000**	**$473,725,000**
Total CHCQ Positions	**1534.4**	**1542.2**

Background. CDPH's Center for Health Care Quality, Licensing and Certification Program (L&C) is responsible for administering the licensure, regulation, inspection, and certification of health care facilities and certain health care professionals in California. The program is organized into 14 district offices and Los Angeles County, which operates under a contract with the L&C program. L&C staff conduct periodic inspections and investigation of complaints and entity-reported incidents to ensure health care facilities comply with state and federal laws and regulations. L&C also contracts with the federal Centers for Medicare and Medicaid Services (CMS), which provides federal funding to ensure that facilities accepting Medicare and Medi-Cal payments comply with federal laws and regulatory requirements. L&C licenses and certifies over 14,000 health care facilities and agencies in California in 30 different licensure and certification categories. In addition to facility oversight, L&C oversees the certification of certified nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

CHCQ Oversight of Hospital Nurse-Patient Ratios. SB 227 (Leyva), Chapter 843, Statutes of 2019, imposes certain requirements on CDPH's oversight of hospital compliance with regulatory requirements regarding maintaining certain nurse-patient ratios. These ratios were authorized by AB 394 (Kuehl), Chapter 945, Statutes of 1999, and promulgated in regulations by CDPH. General acute care hospitals are expected to maintain ratios of 1:1 for operating rooms; 1:2 for intensive care, labor and delivery, intensive care unit patients in the emergency room, and neonatal care; 1:3 for step down; 1:4 for emergency rooms, postpartum/antepartum, and telemetry units; 1:5 in medical-surgical units; and 1:6 in

postpartum and psychiatry units. SB 227 requires CDPH to do the following: 1) periodically conduct unannounced inspections to ensure compliance with nurse-patient ratios; 2) assess administrative penalties of $15,000 for first violations and $30,000 for subsequent violations; 3) exempts hospitals from penalties if the fluctuation in staffing was unpredictable and uncontrollable, prompt efforts were made to maintain required staffing levels, and the hospital immediately used and exhausted its on-call list of nurses and the charge nurse.

During the COVID-19 pandemic, implementation of SB 227 enforcement of staffing ratios was paused. The pause was tied to the COVID-19 public health emergency, which expired on February 28th, 2023. In September 2023, CDPH issued an all facility letter advising hospitals regarding the resumption of enforcement activities related to SB 227. However, labor advocates representing nurses have reported that no administrative penalties have been issued, despite numerous substantiated violations of nurse-patient ratios by hospitals.

Panel Discussion. The subcommittee has requested the following panelists to discuss CDPH enforcement of SB 227 requirements:

- California Department of Public Health (CDPH), Center for Health Care Quality
- Service Employees International Union (SEIU) Local 121RN
- California Hospital Association

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the Center for Health Care Quality, including regulatory responsibilities, organizational structure, funding, and performance.

2. Please provide an update on the L&C Program's vacancy rate, particularly for the HFEN classification, and efforts to improve vacancy rates.

3. Please provide an update on the most current timeliness metrics for investigation of complaints and entity-reported incidents.

<u>For the SB 227 Panel Discussion</u>:

4. Please describe how the program is currently enforcing the provisions of SB 227.

5. Have any unannounced inspections occurred since the release of the September all facility letter? Have any violations been substantiated or penalties issued?

6. Have any hospitals been exempted from penalties by the department by meeting the exemption criteria included in SB 227?

Issue 14: Center for Health Care Quality Application and Fee Processing Expansion

Budget Change Proposal and Trailer Bill Language – Governor's Budget. CDPH requests 11.5 positions and expenditure authority from the Licensing and Certification Fund of $1.1 million in 2024-25 and $1.6 million annually thereafter. If approved, these positions and resources would support expansion of application and fee processing activities for health facilities. CDPH also proposes trailer bill language to authorize implementation of a new fee schedule and impose deadlines and penalties for late submission of applications for licensure or licensure changes.

Program Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
3098 – Licensing and Certification Fund	$1,078,000	$1,611,000
Total Funding Request:	**$1,078,000**	**$1,611,000**
Total Requested Positions:	**11.5**	**11.5**

* Positions and resources ongoing after 2025-26.

Background. The Center for Health Care Quality's Centralized Applications Branch (CAB) processes all applications submitted by health facilities for licensure changes, including changes of ownership, location, name, beds, and key personnel such as administrators or medical directors. According to CDPH, CAB processes over 10,000 change applications from facilities in over 20 different types of licensure change categories. However, only a few of these application types, including annual licensing and change of ownership (CHOW), are associated with a fee. As CHCQ is primarily supported by fee revenue from the Licensing and Certification Fund, workload not associated with a fee must be supported by fees imposed on other processes or applications.

According to CDPH, CHCQ conducted a joint review of its workload with the Department of Finance's Research and Analysis Unit. This review uncovered opportunities to update the application fee schedule to provide a more equitable distribution of costs among the facilities, align application fee revenue with application workload costs, address stakeholder concerns regarding the CHOW fee, reduce some cost pressures from the annual licensing fee, and disincentivize the practice among some facilities of failing to submit required change applications. The review recommended implementing a fee for all licensure changes processed by the department, as well as imposing late fees when these changes are not submitted timely. According to CDPH, the proposed expansion of fees to other licensure changes would allow the reduction of certain other fees, such as the CHOW fee, to be more consistent with the actual workload required to process the applications associated with the fee. For example, under the proposal, a CHOW fee for a 99-bed skilled nursing facility would be reduced from $105,039 to $39,700. These adjustments to existing fees and the amounts of newly proposed fees were based on a fee schedule methodology that took into account onsite survey timekeeping data, initial findings from a time study for CAB workload, self-reported estimates of workload, and average position costs derived from the department's salaries and wages galley.

Staffing and Resource Request. CDPH requests 11.5 positions and expenditure authority from the Licensing and Certification Fund of $1.1 million in 2024-25 and $1.6 million annually thereafter to support expansion of application and fee processing activities for health facilities. Specifically, CDPH requests the following positions:

CAB Administration Section – Five positions

- **Four Staff Services Analysts (SSA)** and **one Staff Services Manager (SSM) I** position would support the increased health facility application and licensure renewal volume, which have increased 28 percent and 16 percent, respectively, as well as the increased time required to process annual license renewals due to the validation of the information in the renewal application against the information in the Electronic Licensing Management System.

Revenue Collection Unit – 4.5 positions

- **3.5 Associate Governmental Program Analysts (AGPAs)** and **one SSM I** position would support the projected 75 percent increase in fee payment processing volume due to the addition of new fees on various types of applications, including an estimated 8,000 additional payments per year for licensure changes and processing of late penalty assessments.

Administration Division – One position

- **One AGPA** would support the additional check deposit workload from collection of additional payments and late penalty assessments.

Hospice Workload – One position

- **One AGPA** would support increased workload related to hospice application volumes associated with the requirements of AB 2673 (Irwin), Chapter 797, Statutes of 2022, which requires CHCQ to verify the status of professional licensure for hospice management personnel and validate relevant work history.

Trailer Bill Language Proposal. CDPH also proposes trailer bill language to authorize implementation of a new fee schedule and impose deadlines and penalties for late submission of applications for licensure or licensure changes.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposal.

2. Please characterize, if possible, the average net impact on a typical health facility of these proposed changes to the fee schedule.

Issue 15: Skilled Nursing Facility Staffing Audits Fund Shift

General Fund Budget Solution – Governor's Budget. CDPH requests to shift General Fund expenditure authority of $4 million in 2024-25, previously approved in the 2023 Budget Act as an ongoing General Fund appropriation, to the Licensing and Certification Fund, to support audit activities related to the monitoring and enforcement of skilled nursing facility minimum staffing requirements.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	($4,000,000)	$-
3098 – Licensing and Certification Fund	$4,000,000	$-
Total Funding Request:	**$-**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background. The Staffing Audits Section in the Center for Health Care Quality (CHCQ) at CDPH audits skilled nursing facility compliance with state and federal law governing minimum staffing requirements. Audits of all freestanding skilled nursing facilities are conducted annually and include the review of 24 days of staffing data. Included in these requirements are minimum ratios of direct care service hours per patient day, updated in 2017. SB 97 (Committee on Budget and Fiscal Review), Chapter 52, Statutes of 2017, requires skilled nursing facilities to have a minimum number of direct care services hours of 3.5 per patient day, including a minimum of 2.4 hours per patient day for certified nursing assistants (CNAs). Previously, the minimum staffing requirement had been 3.2 hours per patient day, with no minimum requirements for CNAs. CDPH is responsible for auditing skilled nursing facilities for compliance with these minimum staffing requirements. Failure to comply may result in administrative penalties assessed by CDPH, or ineligibility for payments in the Medi-Cal Quality and Accountability Supplemental Payment (QASP) program.

Until December 31, 2022, DHCS, under an interagency agreement with CHCQ, reimbursed staffing audit costs of $8 million ($4 million Quality and Accountability Special Fund and $4 million federal funds) annually. Audits conducted by CHCQ were included in the criteria for the Medi-Cal QASP program, an incentive payment program to ensure performance of quality metrics incorporated into the Skilled Nursing Facility Quality Assurance Fee (SNF QAF) originally established by AB 1629 (Frommer), Chapter 875, Statues of 2004.

According to CDPH, CHCQ's minimum staffing audits responsibilities, administrative penalty authority and the Medi-Cal QASP program expired on December 31, 2022. The 2022 Budget Act included trailer bill language implementing Nursing Facility Financing Reform, and established a new Workforce and Quality Incentive Program (WQIP) financed directly by the General Fund and to replace the QASP.

The 2023 Budget Act included General Fund expenditure authority of $4 million annually to support audits of skilled nursing facilities to verify compliance with minimum staffing requirements.

General Fund Budget Solution – Fund Shift. CDPH requests to shift General Fund expenditure authority of $4 million in 2024-25, previously approved in the 2023 Budget Act as an ongoing General Fund appropriation, to the Licensing and Certification Fund, to support audit activities related to the

monitoring and enforcement of skilled nursing facility minimum staffing requirements. The General Fund expenditure authority previously approved for 2023-24, as well as ongoing General Fund authority in 2025-26 and annually thereafter, would be maintained.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of this proposed fund shift.

2. Why is this fund shift only proposed for one year, and not for the current year and subsequent fiscal years after the budget year, given the General Fund shortfall?

Issue 16: Proposals for Investment

Proposals for Investment. The subcommittee has received the following proposals for investment:

End the Epidemics. The End the Epidemics Coalition, a coalition of 11 organizations, request the following investments in reducing disparities, Getting to Zero, and reducing sexually transmitted infections:

1) ADAP Rebate Fund Loan – Reduce the Governor's proposed loan from the AIDS Drug Assistance Program (ADAP) Rebate Fund from $500 million to $250 million.
2) Expand Eligibility for ADAP and PrEP-AP – Expenditure authority from the ADAP Rebate Fund of $3.5 million in 2024-25 and $2.7 million in 2025-26 to increase ADAP and Pre-Exposure Prophylaxis Assistance Program (PrEP-AP) eligibility from 500 percent of the federal poverty level to 600 percent of the federal poverty level.
3) ADAP Open Formulary – Trailer bill language to transition the ADAP formulary to an open formulary, to allow patients with HIV to initiate potentially safer and more efficacious regimens based on their proclivity to adverse events, yield better outcomes, and reduce costs.
4) Harm Reduction Clearinghouse – Expenditure authority from the ADAP Rebate Fund of $10 million in 2024-25 to support the harm reduction clearinghouse, a cost-effective strategy for bulk purchasing, reducing costs, and streamlining ordering of supplies for harm reduction programs to reduce transmission of infectious diseases, prevent injury and overdose, and improve access to treatment and harm reduction services.
5) Increase HIPP Cap – Expenditure authority from the ADAP Rebate Fund of $3.5 million in 2025-26 and $7 million in 2026-27 to increase the program cap on payments in the ADAP Health Insurance Premium Payment (HIPP) program from $1,938 per month to $2,996 per month.
6) TGI Wellness and Equity Fund – Annual expenditure authority from the ADAP Rebate Fund of $5 million to support the Transgender, Gender Nonconforming, and Intersex (TGI) Wellness and Equity Fund, which provides funding to organizations that serve people that identify as TGI, creates or funds TGI-specific housing programs and partnerships with hospitals, health care clinics, and other medical providers to provide TGI-focused health care and related education programs for health care providers.
7) Needs Assessment and Gap Analyses – Expenditure authority from the ADAP Rebate Fund of $400,000 in 2024-25 to support two needs assessment and gap analyses for: 1) current needs for client navigation and retention services, and 2) the PrEP-AP navigation program.
8) Youth Health Equity and Safety Act – General Fund expenditure authority of $5 million in 2024-25 to support the Youth Health Equity and Safety Act for three years, which seeks to address sexually transmitted infections among California youth and improve equitable public health outcomes statewide by expanding teen access to condoms in schools and communities.
9) California Overdose Prevention Harm Reduction Initiative – Expenditure authority from the Opioid Settlements Fund of $6 million in 2024-25 to reverse the proposed reduction to the Harm Reduction Initiative proposed in the Governor's January budget.

California Cancer Registry. The American Cancer Society Cancer Action Network, the City of Hope, the Public Health Institute, and the University of Southern California request General Fund expenditure authority of $7 million annually to protect and restore funding for the California Cancer Registry (CCR), which is suffering from a funding shortfall due to reductions in Proposition 99 tobacco tax revenues. The CCR is the largest population-based state cancer registry in North America (including Canada and

Mexico) and plays a critical role in analyzing geographic, racial, ethnic, and socioeconomic differences in cancer incidence, mortality, and survival. CCR is a population-based cancer registry that has been described as "the eyes with which we see the cancer problem" – without it, we would be blind to how a major cause of illness and death impacts the people of California.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding these items open to allow continued discussions in advance of the May Revision.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, March 21, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

5160 DEPARTMENT OF REHABILITATION

Issue 1: Department of Rehabilitation Overview

Department of Rehabilitation (DOR). The Department of Rehabilitation (DOR) works in partnership with individuals with disabilities and other stakeholders to provide direct services and advocacy prioritizing employment, independent living, and equality for individuals with disabilities. DOR provides services to over 130,000 Californians with disabilities annually to obtain, retain, and advance in employment with competitive wages in integrated settings, and to maximize equality and the ability to live independently in communities of their choice.

Governor's Budget. The Governor's proposed 2024-25 budget includes $576.3 million total funds ($85.2 million General Fund) for DOR programs related to vocational rehabilitation and independent living services. The 2024-25 proposed budget reflects a $26.8 million ($16.8 million General Fund) reduction primarily due to one-time appropriation for programs such as Demand Side Employment Initiative, Integrating Employment in Recovery, Community Living Fund, and Home and Community-Based Services (HCBS) Traumatic Brain Injury (TBI) program.

Budget Solution – Governor's Budget: DDS Rate Reform Delay Impact on DOR. The DOR budget includes $1.6 million due to a delay in the supported employment job coaching services rate increase, to conform with the 2024-25 Governor's proposal to delay full implementation of the Department of Developmental Services (DDS) Rate Reform, with the next rate adjustment occurring July 1, 2025, rather than July 1, 2024. The proposed DDS Rate Reform delay is included in Issue 4 of this agenda under DDS.

According to DOR, DOR shares mutual consumers and many of the same service providers with DDS in the provision of Supported Employment job coaching. Job coaches are a vital and necessary service for many job seekers with the most significant disabilities, including IDD. DOR has rate setting authority (California Code of Regulations, Title 9, Section 7321) and has historically adopted the rates that DDS sets for job coaching services. Delaying DOR's job coaching rate increase to conform with DDS ensures there is no disparity in the service rates paid to the same providers working with DOR and DDS. DOR is currently not expecting that the delay in the full implementation of rate reform will have an immediate impact on the number of DOR consumers receiving job coaching services in the coming year.

The Governor's proposed 2024-25 budget contains one budget change proposal for DOR, which is covered in Issue 2 of this agenda. There are no additional changes to the DOR budget.

The table below provides an overview of DOR's funding from current year to the proposed Governor's budget for 2024-25.

	FY 2023-24	FY 2024-25	Difference
Vocational Rehabilitation Services			
General Fund	$84,154,000	$77,063,000	($7,091,000)
Vending Stand Fund	$3,361,000	$3,361,000	$0
Federal Trust Fund	$464,488,000	$459,782,000	($4,706,000)
Reimbursements	$8,080,000	$8,080,000	$0
Opioid Settlements Fund	$3,896,000	$0	($3,896,000)
Total, Vocational Rehabilitation Services	**$563,979,000**	**$548,286,000**	**($15,693,000)**
Independent Living Services			
General Fund	$17,893,000	$8,163,000	($9,730,000)
DDTP Admin Committee Fund	$0	$3,657,000	$3,657,000
Federal Trust Fund	$16,205,000	$16,202,000	($3,000)
Reimbursements	$3,657,000	$0	($3,657,000)
HCBS ARP Fund	$1,384,000	$0	($1,384,000)
Total, Independent Living Services	**$39,139,000**	**$28,022,000**	**($11,117,000)**
Total Funding			
General Fund	$102,047,000	$85,226,000	($16,821,000)
DDTP Admin Committee Fund	$0	$3,657,000	$3,657,000
Vending Stand Fund	$3,361,000	$3,361,000	$0
Federal Trust Fund	$480,693,000	$475,984,000	($4,709,000)
Reimbursements	$11,737,000	$8,080,000	($3,657,000)
Opioid Settlements Fund	$3,896,000	$0	($3,896,000)
HCBS ARP Fund	$1,384,000	$0	($1,384,000)
Total, All Funds	**$603,118,000**	**$576,308,000**	**($26,810,000)**

Background on DOR. Major DOR programs include:

Vocational Rehabilitation (VR) Program. The Vocational Rehabilitation Program delivers vocational rehabilitation services to individuals with disabilities through vocational rehabilitation professionals in district and branch offices located throughout the state, so that individuals with disabilities may prepare for and engage in competitive integrated employment and achieve economic self-sufficiency. In addition, DOR has cooperative agreements with state and local agencies (secondary and postsecondary education, behavioral/mental health, and welfare) to provide services to individuals.

Since November 2020, DOR has been serving eligible individuals in all disability categories. Individuals with disabilities who are eligible for DOR's vocational rehabilitation services may be provided a full range of services, including vocational assessment, assistive technology, vocational and educational training, job placement, supported employment, and independent living skills training to maximize their ability to live and work independently.

VR services are funded with 78.7 percent federal dollars and 21.3 percent matching funds, part of which are provided by General Fund and part by public agencies through DOR's cooperative program agreements. Federal law requires DOR to set aside no less than 15 percent of the federal VR grant to

provide pre-employment transition services (also known as Student Services) to students with disabilities ages 16-21. DOR Student Services include job exploration counseling, work-based learning experiences, postsecondary education counseling, workplace readiness training, and instruction in self-advocacy.

The 2023 Budget Act includes an increase of $180 million in federal fund authority over the next three fiscal years ($60 million each year beginning in 2023-24 through 2025-26) to expand Vocational Rehabilitation services to individuals with disabilities. As of October 2023, DOR has 117,542 participants in the DOR's vocational rehabilitation program, which represents a 16 percent increase from 2022. Out of those participants, 44,991 are receiving DOR Student Services, which represents an 18 percent increase.

Blind/Visually Impaired Programs. DOR, through its Business Enterprises Program, provides comprehensive training and technical assistance to enable individuals who are blind or visually impaired to support themselves in the operation of vending stands, snack bars, and cafeterias. Prevocational, including employment readiness, services are provided by the Orientation Center for the Blind to individuals with vision loss to prepare them for independent living.

DOR administers the federal Older Individuals Who Are Blind (OIB) program which supports 16 non-profit community-based organizations throughout California that provide blindness-related independent living services necessary to assist visually impaired individuals age 55 or older to live independently and be productive in their communities. Core services consist of low vision evaluations/screenings, assistive technology devices and training, orientation and mobility, communication skills, independent living skills training, self-advocacy, adjustment counseling, transportation, and supportive services. AB 2480 (Arambula), Chapter 532, Statutes of 2022, expands similar services to adults aged 18 to 55 who are blind and who previously were not eligible for OIB or VR programs.

Disability Innovation Fund Programs. DOR administers the Pathways to Success Project (PSP) to increase competitive integrated employment outcomes, economic self-sufficiency, independence, and inclusion, through a unique service delivery design supported by sector-specific teams specializing in high-wage, high-skill, and high-demand careers for individuals with disabilities. The PSP, which is a pilot research project, is particularly targeted at underrepresented communities, including people of color, women, and individuals with IDD.

In addition, DOR administers the federally funded California Subminimum Wage to Competitive Integrated Employment Project (CSP) to provide a comprehensive set of interventions and supports to increase competitive integrated employment outcomes, independence, economic self-sufficiency, and inclusion for individuals with the most significant disabilities currently in, or contemplating entering, subminimum wage employment. The CSP, which is a pilot research project, will establish evidence-based approaches to vocational rehabilitation service delivery that will improve the employment outcomes of its participants, transitioning more workers with disabilities into competitive integrated employment. In the five months since its launch, there are 38 participants with IDD enrolled in the program, benefitting from services such as disability support classes, career exploration, work experience, and career technical education to gain competitive integrated employment. The program remains on track to meet the goal of serving 400 participants before the end of the grant period in September of 2027.

Integrating Employment in Recovery (IER) Program. DOR received $4 million from the Opioid Settlements Fund to administer the Integrating Employment in Recovery program to provide training to

the provider workforce on evidence-based practices to serve people with substance use disorders (SUD) related to opioid use that can be incorporated as a part of holistic recovery. The training focuses on incorporating the full range of vocational rehabilitation services into treatment delivery as part of a whole-person approach to recovery and developing supports for individuals returning to or transitioning into work during and following treatment.

Independent Living Program. DOR provides funding, administers, and supports 28 non-profit independent living centers in communities located throughout California. Each Independent Living Center provides services necessary to assist individuals with disabilities to live independently with full inclusion in their communities. Core services consist of information and referral, peer counseling, individual and systems change advocacy, independent living skills, housing assistance, personal assistance referral services, transition and diversion services to community-based living, and transition services to postsecondary life for youth.

Community Living Fund. DOR administers the Community Living Fund program which provides transition or diversion services for individuals to move from an institutional setting to the community or to support individuals who are at risk of going into an institution to remain in their community. The 2022 Budget Act included $10 million General Fund one-time, available over three years to assist eligible older adults and persons with disabilities in transitioning from nursing homes to independent living. As of November 27, 2023, DOR has served 258 individuals with institutional transition and diversion services through grants with 30 community-based organizations throughout the state. Of those that were served, 237 individuals are receiving services to prevent them from going into an institutional setting and 21 individuals are receiving services to transition from an institution to independent living.

Traumatic Brain Injury (TBI) Program. DOR administers and supports the Traumatic Brain Injury (TBI) Program. In coordination with individuals and their families, six service state funded providers throughout California provide a coordinated post-acute care service model for individuals with TBI, including supported living, community reintegration, vocational supportive services, public awareness, and support for family, friends, and professionals within the TBI community. DOR also works with the federal government to administer a TBI partnership grant with which a state TBI Advisory Board has been established for the purpose of creating a TBI state plan, sustainability plan, statewide TBI registry, and needs assessment.

Assistive Technology (AT) Program. DOR administers the California AT Program through federal Assistive Technology Act of 2004 funds and Social Security Reimbursement funds. The AT Program includes device lending and demonstrations, equipment reutilization, and AT information and referral and technical assistance.

Voice Options Program. Through a partnership with the California Public Utilities Commission's Deaf and Disabled Telecommunications Program, DOR's Voice Options program provides eligible Californians who are unable to speak, or who have difficulty speaking, with a free speech-generating device. The goal of this program is to ensure full and equal telephone communications access for all Californians with disabilities.

Home and Community-Based Services (HCBS) Spending Plan – Traumatic Brain Injury (TBI) Program. DOR expanded the capacity of existing TBI sites and stood up six new TBI sites in alignment

with American Rescue Plan Act (ARPA) Home and Community-Based Services (HCBS) Spending Plan funding surrounding transition and diversion through community reintegration, personal care services through supported living services, and other supportive services to improve functional capabilities of individuals with TBI. The HCBS Spending Plan includes $5 million total for the TBI expansion. As of September 2023, DOR had spent $1.8 million of the $5 million federal funding available. All HCBS Spending Plan funds must be spent by December 31, 2024.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DOR respond to the following:

1. Please describe the proposed budget solution to decrease DOR rates in conjunction with the proposed DDS rate reform delay.

2. Please provide an update on the expansion of the Traumatic Brain Injury program funded by the HCBS Spending Plan. Is DOR on track to spend all of the federal funding by the deadline? How many additional clients were served by the expansion of the TBI program? What will happen to clients who are receiving services from the six additional sites funded with temporary HCBS funding?

Issue 2: Voice Options Program

Budget Change Proposal – Governor's Budget. DOR requests $3.6 million ongoing in Deaf and Disabled Telecommunications Program (DDTP) Administrative Committee Fund and 3.75 positions to administer the Voice Options program, a statewide Supplemental Telecommunications Equipment (STE) program and 0.25 positions to oversee the federal Assistive Technology Program with existing resources. In February 2023, the California Public Utilities Commission (CPUC) made the Voice Options Program permanent, and this proposal will provide DOR with ongoing funding and staff resources to continue serving individuals with speech disabilities by providing speech generating devices to gain independence and direct access to the telecommunication network. This proposal has no impact on the General Fund.

Background on the Voice Options Program. There are multiple types of disabilities that impact speech and communication including autism spectrum disorder, cerebral palsy, IDD, brain injury, as well as disability because of a stroke or certain types of cancer. People with speech disabilities may have little or no access to telecommunication systems that allow them to connect with vital services, maintain relationships with loved ones, and participate in the community. DOR funds 29 community-based organizations, which provide demonstrations and short-term loans of tablets and speech applications to 2,199 individuals with speech disabilities. In addition, the program has provided 2,027 of those individuals with long term loans of STE that best fit their specific needs. The Voice Options Program provides assistive technology equipment for individuals with speech disabilities to improve access to telecommunications through choice in type of device and speech application that will meet their specific needs.

Pursuant to AB 136 (Beall) Chapter 404, Statutes 2011, and the CPUC Decision 13-12-054 in Rulemaking 13-03-008, the CPUC expanded the DDTP to include speech generating devices for eligible individuals with speech disabilities to independently access and use telecommunications. In response, the CPUC developed the pilot Voice Options Program and partnered with DOR by initiating an interagency agreement. Pursuant to the 2018 Budget Act, DOR established the pilot program, using reimbursement authority and temporary help positions, to work with community-based providers to serve individuals with speech disabilities by providing speech generating software and tablets or similar assistive technology devices. On February 23, 2023, the CPUC closed the proceeding on Rulemaking 13-03-008 and approved the Voice Options Program as a permanent program. Since the pilot program has been successful under the Department's oversight, the CPUC has requested DOR to continue to administer the Voice Options program to make sure Californians with speech disabilities have access to the speech generating devices they need through partnership with local community-based providers.

Request for DDTP Fund Resources. The four staff will perform the following activities:

- 1.0 Staff Services Manager I – This position will oversee program staff and coordination of the Voice Options program (0.75 FTE) funded by DDTP and Assistive Technology program (0.25 FTE) funded by existing federal funds.

- 2.0 Associate Governmental Program Analysts and 1.0 Staff Services Analyst – Staff will administer agreements with community-based providers, monitoring service activities, program data tracking and outcomes, outreach and marketing, and provide technical assistance to providers.

A Memorandum of Understanding (MOU) between the CPUC and the Department will be executed to facilitate compliance and program oversight.

According to DOR, the department will continue to work in collaboration with the CPUC to report on the following: the number of completed applications received that are accompanied by the necessary certification from authorized professionals attesting to the needs of the applicants; the types of devices purchased and distributed by individual; and the number of devices to those who meet the requirements of this program. In addition, DOR will continue to conduct, collect, refine, and analyze consumer satisfaction and utilization surveys to gauge the effectiveness of the program and identify areas for improvement. Internal controls and a data collection system are in place for monitoring program costs and activities to make sure there is appropriate use of resources and progress towards meeting program goals and reporting accuracy. Data tracked and monitored include equipment and "mobile device apps" purchases, number of recipients of the speech generating devices, recipient demographic data, and customer satisfaction data

DOR states that this proposal will reduce administrative burden in executing an interagency agreement and provide the ongoing staff resources to effectively administer the permanent program for the benefit of Californians with speech disabilities, thereby creating program stability through retention of staff with the expertise and skills necessary to support the program.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal uses DDTP funds and has no impact on the General Fund.

Questions. The Subcommittee requests DOR respond to the following:

1. Please provide an overview of this proposal.

PUBLIC COMMENT ON DOR ISSUES 1-2

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 1: Department of Developmental Services Overview

Department of Developmental Services. The Department of Developmental Services (DDS) is responsible for administering the Lanterman Developmental Disabilities Services Act (Lanterman Act). The Lanterman Act provides for the coordination and provision of services and supports to enable people with intellectual and developmental disabilities (IDD) to lead more independent, productive, and integrated lives. Under the Lanterman Act, individuals with IDD are entitled to an array of services and supports sufficiently complete to meet their individual needs and choices, regardless of age or degree of disability, and at each stage of life. Additionally, the Early Start Program provides for the delivery of services to infants and toddlers at risk of a developmental disability.

The department carries out its responsibilities through contracts with 21 community-based, non-profit corporations known as regional centers (RCs), as well as through state-operated homes and facilities. Regional centers are fixed points of contacts for all individuals with IDD. The regional centers coordinate services for each individual with IDD through an Individual Program Plan (IPP), and work with local vendors to purchase the needed services and supports to carry out the IPP.

Governor's Budget. The Governor's budget includes $15.3 billion ($10 billion General Fund) for DDS in 2024-25, a net increase of $1.6 billion (or 11.7 percent) over the updated 2023-24 budget. The majority of the DDS budget, $14.8 million ($9.6 billion General Fund) consists of the Community Services Program, or Regional Center Budget, which includes services paid by the regional center to service providers on behalf of each person with IDD, known as purchase of services. The remaining components of the DDS budget include state-operated facilities, $348.6 million ($313.5 million General Fund) and DDS headquarters, $156.5 million ($101.1 million General Fund).

- **Budget Solutions.** The Governor's budget includes two budget solutions: delay of service provider rate reform, which is covered in Issue 4 of this agenda, and delay of the Preschool Inclusion Grant Program, which is covered in Issue 6 of this agenda.

- **New Master Plan for Developmental Services.** The Governor's budget also includes the development of a new Master Plan for Developmental Services, which is covered in Issue 2 of this agenda.

- **Fairview Warm Shutdown.** The Governor's budget includes $11.3 million General Fund to continue the warm shutdown of Fairview Developmental Center. Fairview Developmental Center, located in Orange County, is a state-owned property that closed for general treatment services in February 2020. DDS is responsible for the warm shutdown, which includes the continued maintenance of 60 structures spanning across approximately 114 acres of grounds and infrastructure as the property continues through the disposition process.

In addition to the budget solutions and proposals covered in other issues of this agenda, other adjustments to the DDS budget relate to caseload and utilization updates, as well as the expiration of limited-term funding. The total budget for DDS is included in the table on the following page.

Program Highlights

(Dollars in Thousands)

	FY 2023-24*	FY 2024-25	Difference
Community Services Program			
Regional Centers	$13,212,140	$14,809,088	$1,596,948
Total, Community Services	**$13,212,140**	**$14,809,088**	**$1,596,948**
General Fund	$7,842,039	$9,557,907	$1,715,868
Program Development Fund	$434	$434	$0
Developmental Disabilities Services Account	$150	$150	$0
Federal Trust Fund	$57,470	$57,470	$0
Reimbursements	$4,459,265	$5,192,387	$733,122
Mental Health Services Fund	$740	$740	$0
HCBS ARPA	$502,237	$0	($502,237)
HCBS ARPA Reimbursements	$349,805	$0	($349,805)
State Operated Services			
Personal Services	$260,182	$284,624	$24,442
Operating Expense & Equipment	$66,966	$63,945	($3,021)
Total, State Operated Services	**$327,148**	**$348,569**	**$21,421**
General Fund	$291,327	$313,524	$22,197
Lottery Education Fund	$100	$100	$0
Reimbursements	$35,721	$34,945	($776)
Headquarters Support			
Personal Services	$123,686	$119,602	($4,084)
Operating Expense & Equipment	$51,820	$36,892	($14,928)
Total, Headquarters Support	**$175,506**	**$156,494**	**($19,012)**
General Fund	$109,301	$101,096	($8,205)
Federal Trust Fund	$2,979	$3,010	$31
Program Development Fund	$451	$452	$1
Reimbursements	$53,487	$51,425	($2,062)
Mental Health Services Fund	$511	$511	$0
HCBS ARPA	$6,523	$0	($6,523)
HCBS ARPA Reimbursements	$2,254	$0	($2,254)
Total, All Programs	**$13,714,794**	**$15,314,151**	**$1,599,357**
Total Funding			
General Fund	$8,242,667	$9,972,527	$1,729,860
Federal Trust Fund	$60,449	$60,480	$31
Lottery Education Fund	$100	$100	$0
Program Development Fund	$885	$886	$1
Developmental Disabilities Services Account	$150	$150	$0
Reimbursements	$4,548,473	$5,278,757	$730,284
Mental Health Services Fund	$1,251	$1,251	$0
HCBS ARPA	$508,760	$0	($508,760)
HCBS ARPA Reimbursements	$352,059	$0	($352,059)
Total, All Funds	**$13,714,794**	**$15,314,151**	**$1,599,357**

*FY 2023-24 includes $1.3 million Control Section 19.565 funding
*FY 2023-24 does not include $10.75 million for CPP reappropriation (GF).

Source: DDS

Changes from 2023 Enacted Budget. The department's updated 2023-24 regional center budget includes $13.2 billion ($7.8 billion General Fund), a net decrease of $392.2 million ($286 million General Fund). This includes a projected decrease of $392.4 million in purchase of services expenditures and an increase of $250,000 in operations costs, despite no changes to projected caseload.

Costs and Fund Sources *(Dollars in Thousands)*			
	Enacted Budget	**FY 2023-24**	**Difference**
Operations	$1,418,703	$1,418,953	$250
Purchase of Services	$12,164,516	$11,772,089	($392,427)
Early Start Part C/Other Agency Costs	$19,095	$19,095	$0
Early Start Family Resource Services	$2,003	$2,003	$0
Total Costs	**$13,604,317**	**$13,212,140**	**($392,177)**
General Fund (GF)	$8,128,058	$7,842,039	($286,019)
GF Match	*$4,234,395*	*$4,040,954*	*($193,441)*
GF Other	*$3,893,663*	*$3,801,085*	*($92,578)*
Reimbursements	$4,651,996	$4,459,265	($192,731)
Program Development Fund	$434	$434	$0
Developmental Disabilities Services Account	$150	$150	$0
Mental Health Services Fund	$740	$740	$0
HCBS ARPA	$451,440	$502,237	$50,797
HCBS ARPA Reimbursements	$314,029	$349,805	$35,776
Federal Funds	$57,470	$57,470	$0
Fund Sources	**$13,604,317**	**$13,212,140**	**($392,177)**

Source: DDS

According to DDS, the decrease of projected purchase of services expenditures from the 2023 Budget Act compared to updated 2023-24 expenditures is attributable to the variability in service utilization as individuals and service providers return from changes during the COVID-19 pandemic.

2024-25 DDS Caseload. DDS projects that regional centers will serve 458,228 individuals in 2024-25. This includes 377,898 active cases, 68,338 Early Start cases (ages 0-3), and 11,992 children who are provisionally eligible (ages 0-4). This is a total caseload increase of 28,775:

Caseload	FY 2023-24	FY 2024-25	Difference
Active (Age 3 & Older)	359,280	377,898	18,618
Early Start (Birth through 35 Months)	61,647	68,338	6,691
Provisional Eligibility (Birth through Age 4)	8,526	11,992	3,466
Total Community Caseload	**429,453**	**458,228**	**28,775**

Source: DDS

Ongoing Oversight Issue: Home and Community-Based Services (HCBS) Final Rule. In 2014, the Centers for Medicare and Medicaid Services (CMS) issued the HCBS Final Rule, which governs the way individuals must be able to interact with their communities in order to receive federal funding for services. Home and community-based services are services and supports that allow an individual to live in their homes and communities rather than in institutional settings, such as residential services, independent and

supported living services, and day programs. Nearly all types of regional center services are eligible to receive federal HCBS funding through Medicaid. The HCBS Final Rule took effect March 17, 2023, and requires that, as a condition of receiving federal HCBS funding, any home and community-based setting meets the following criteria: (1) Is integrated in and supports full access to the greater community; (2) Is selected by the individual from among setting options; (3) Ensures individual rights of privacy, dignity and respect, and freedom from coercion and restraint; (4) Optimizes autonomy and independence in making life choices; and (5) Facilitates choice regarding services and who provides them.

The Final Rule builds off decades of work by the disability rights movement and furthers the goals of the Americans with Disabilities Act (ADA) and the Supreme Court's *Olmstead* decision, holding that community living is a civil right.

States were originally provided a five-year transition period to implement the HCBS criteria, which was delayed multiple times. As of March 17, 2023, all states must be fully compliant with the Rule's basic civil rights requirements and may, through time-limited corrective actions plans (CAPs), have additional time to fully comply with a limited number of requirements in the Rule that were impacted by the COVID-19 public health emergency. California's approved CAP includes additional time to ensure provider compliance with the following HCBS Final Rule Criteria: access to the broader community; opportunities for employment; choice of non-disability specific settings; and option for a private unit and/or choice of roommate. The extension lasts through December 31, 2024, by which all settings that receive federal HCBS funding must be fully compliant with the HCBS Final Rule. The CAP includes interim milestones, including the completion of visits/reviews at 25 percent of settings by February 29, 2024.

As of March 1, 2024, 22 percent of the 8,068 total settings had been reviewed statewide (this consists of regional center staff conducting on-site monitoring of every setting.) Of settings that have been reviewed so far, 80 percent of those settings statewide have been found in compliance. Of the settings reviewed that are not in compliance, 14 settings have a corrective action plan, and 330 settings are receiving technical assistance to come into compliance (meaning they are not in compliance but do not have a formal corrective action plan). The next two milestones are 50 percent reviewed by the end of April and 50 percent compliant by the end of May. All settings must be compliant by the end of September or action will be taken to relocate individuals. Data from DDS shows that while some regional centers, such as Central Valley Regional Center, have already completed over half of the required setting reviews, other regional centers have not completed any reviews.

DDS conducts various activities to support compliance with the HCBS final rule, including issuing a directive to regional centers to complete all on-site monitoring by August 31, 2024, continued training efforts for individuals and families, and providing increased and regular oversight, training, and technical assistance related to the HCBS Final Rule. The 2023 Budget Act included $1.3 million ($1.0 million General Fund) ongoing for nine positions beginning in 2023-24 to support DDS's workload associated with efforts to comply with HCBS requirements, including the validation of service provider assessments, remediation, heightened scrutiny of residential and non-residential settings, and updating ongoing monitoring procedures. For regional center HCBS compliance efforts, the 2023 Budget Act included $4 million ($2.7 million General Fund) in 2023-24 and $5.3 million ($3.6 million General Fund) in 2024-25 and ongoing. The budget additionally includes $15 million ($11 million General Fund) annually to support service provider compliance with HCBS requirements.

Ongoing Oversight Issue: Regional Center Caseload Ratios. Service coordinators at each of the 21 regional centers are responsible for developing each person's IPP and coordinating the purchase of their needed services and supports. Statute requires that regional centers maintain certain average caseload ratios, including 1:62 for those enrolled in Medicaid HCBS waiver programs, 1:40 for children ages 0-5, 1:25 for individuals who have complex needs, and 1:66 for all others. In addition, the 2021 Budget Act included $10 million ongoing to implement service coordinator ratios of 1:40 for those who have a low level or no services purchased by regional centers. The 2023 Budget Act included $102.1 million ($68.5 million General Fund) to fund a revised methodology to support the 1:40 caseload ratio for children 0-5. An analysis by the Legislative Analyst's Office (LAO) in 2023 found that as of October 2022, all regional centers significantly exceeded the caseload ratio for children ages 0-5.[1]

Changes in the 2023 Budget Act. The 2023 Budget Act included several changes to the DDS budget, including trailer bill language. Some of these changes which are not discussed elsewhere in this agenda include:

- **Independent Living Services**: $15 million ($8.5 million General Fund) in 2023-24 and $60 million ($34 million General Fund) in 2024-25 to adjust service provider rates for Independent Living Services by January 2024, to align the types of services provided with more equivalent occupations.

- **Parent Participation Requirement in Applied Behavioral Analysis (ABA) or Intensive Behavioral Intervention:** Trailer bill language to prohibit a regional center from denying or delaying the provision of ABA or intensive behavioral intervention services for children due to the lack of parent participation.

- **Autism Services Branch:** $1 million ($826,000 General Fund) in 2023-24 and ongoing to establish an Autism Services Branch within the Office of Statewide Clinical Services. DDS reports that five of the six positions have been hired. The Autism Services Branch has established a designated email inbox (autism@dds.ca.gov) and Autism Helpline phone number (833-815-2337). According to DDS, the most frequent types of contacts are inquiries about services for autism, referral and intake at regional centers, or general inquiries about autism. The branch also receives requests for training or data, complaints, communications about individuals in behavioral health crises or with hospital overstays, and communications about services or conferences. The branch is most often contacted by parents, family members, or caregivers. Other types of individuals/groups contacting the helpline include community-based organizations, universities/schools, individuals with disabilities, hospitals, providers, and others. The branch is tracking data on the emails/calls to follow emerging trends and inform the development of resources.

- **Adjusting Rate Models to Reflect Increases in the Minimum Wage:** $78.2 million ($46.4 million General Fund) to support the projected minimum wage increase effective January 1, 2024. Trailer bill language allows DDS to uniformly adjust provider rates when the California minimum

[1] The 2023-24 Budget: Department of Developmental Services, Legislative Analyst's Office, February 2023.

wage increases. The 2023 Budget Act also includes $10.1 million ($6 million General Fund) to adjust service provider rates for mileage based on updates to the federal Internal Revenue Service mileage rate.

- **Fairview Warm Shutdown:** $11.3 million General Fund to support the warm shutdown of Fairview Developmental Center.

- **Disparities Data.** $2.7 million ($1.8 million General Fund) through 2025-26 and $450,000 ($360,000 General Fund) ongoing to implement AB 1957 (Wilson), Chapter 314, Statutes of 2022, which specifies public reporting on IPPs and purchase of services. This includes trailer bill language to specify data deidentification requirements, add a requirement for the department to aggregate purchase of service data on a statewide basis, and establish a collaborative process for stakeholder engagement regarding data de-identification.

- **Protective Proceedings**: $1.5 million ($1.2 million General Fund) in 2023- 24 and 2024-25 and $1.2 million ($1 million General Fund) beginning in 2025-26 and ongoing, to implement AB 1663 (Maienschein), Chapter 894, Statutes of 2022, which revises various procedures in the conservatorship process.

- **Information Security Office Support:** $895,000 ($716,000 General Fund) to support federal and state information technology risk and compliance requirements and the maintenance and operation of the department's security system infrastructure.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed.

Questions. The Subcommittee requests DDS respond to the following:

1. Please explain the decrease in purchase of services from the 2023 projections budget to actual expenditures for 2023-24. Could this decrease indicate that individuals are not able to access services they need due to provider capacity or other barriers?

2. Please provide a brief update on the department's efforts to come into compliance with the HCBS Final Rule. How is DDS monitoring those regional centers who are far behind in conducting on-site reviews? What is the consequence for providers that do not come into compliance?

Issue 2: Master Plan for Developmental Services

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Nancy Bargmann, Director of DDS, and Victor Duron, Director of the Master Plan for Developmental Services
- Judy Mark, Parent and President, Disability Voices United
- Miguel Lugo, Self-Advocate, Manager of Community Programs, Integrated Community Collaborative
- Mark Klaus, Executive Director, San Diego Regional Center
- Mark Melanson, Chief Executive Officer, California Community Living Network
- Will Leiner, Managing Attorney, Disability Rights California
- Karina Hendren, Fiscal & Policy Analyst, Legislative Analyst's Office

Announcement of a Master Plan for Developmental Services. The Governor's proposed 2024-25 budget includes the creation of a Master Plan for Developmental Services. On February 14, 2024, California Health and Human Services (CalHHS) Secretary Dr. Mark Ghaly announced the creation of a stakeholder committee to create the Master Plan for Developmental Services. The Stakeholder Committee will be tasked with working with CalHHS and its departments to develop a Master Plan for Developmental Services, to be released by March 2025. According to CalHHS, the Master Plan is designed to serve as California's collective roadmap to marshal the public and private resources of the entire developmental services system, as well as other systems and sectors, to deliver meaningful and concreate results.

According to CalHHS Secretary Dr. Mark Ghaly, "the reality is that the developmental services system cannot, nor should it, operate in isolation given the changing needs of the consumers and families we serve today. This means we must proactively think about how we connect the dots between systems and sectors, while more intentionally integrating developmental services to our work to serve the whole needs of the individual and their families."[2]

According to DDS Director Nancy Bargmann, "our work together will build on the promise of the Lanterman Act, our current efforts and investments and new thinking from the diverse communities served by our Regional Centers. Our goal is to realize a 21st century developmental services system which is more person-centered, and based on quality, outcomes, and cultural competence."[3]

CalHHS states that "since 2019, the number of Californians served by the developmental services system has grown by 31 percent, with significant growth among children under the age of 22 who have an Autism diagnosis. Today, over 400,000 Californians receive services and supports through California's 21 Regional Centers. Individuals who receive services today are more diverse and live longer. They face affordable housing shortages, lower rates of employment, and the challenges of accessing services from other systems and sectors to address their physical, social, and behavioral health needs. A 21st century developmental services system must increase its ability to provide culturally responsive services and to

[2] CalHHS Secretary Dr. Mark Ghaly Announces Stakeholder Committee to Create Master Plan for Developmental Services, CalHHS, February 14, 2024.
[3] CalHHS

strengthen the accountability and standardization of the system so that it is easier for individuals and their families to navigate no matter where they live in California."

Master Plan Stakeholder Committee Membership. The Master Plan Stakeholder Committee, appointed by Secretary Dr. Mark Ghaly, consists of the following members:

- Amy Westling – Association of Regional Center Agencies
- Areva Martin – Family member
- Barry Jardini – California Disability Services Association
- Beth Burt – Family member
- Brett Eisenberg – California Foundation for Independent Living Centers
- Brian Zotti – Options for All
- Cheryl Brown – Commission on Aging
- Claudia Center – Disability Rights Education & Defense Fund
- Dora Contreras – Family member
- Edith Arias – Family member
- Elena Tiffany – Self-advocate
- Eric Ramirez – Self-advocate
- Gloria Wong – East LA Regional Center
- Joe Perales – El Arc de California
- Joyce McNair – Family member
- Judy Mark – Family member
- Kavita Sreedhar – Family member
- Kecia Weller – Self-advocate
- Kelly Kulzer-Reyes – Family member
- Larry Yin – University Center of Excellence in Developmental Disabilities at CHLA
- Lisa Cooley – Self-advocate
- Marie Poulsen - Interagency Coordinating Council on Early Intervention
- Mark Klaus – San Diego Regional Center
- Mark Melanson – California Community Living Network
- Marty Omoto – California Disability Community Action Network
- Norma Ramos – Family member
- Sara Speck – Self-advocate
- Sascha Bittner – Self-advocate
- Season Goodpasture – Family member
- Shella Comin-DuMong – CHANCE Housing
- Sylvia Yeh – Family member
- Tiffany Whiten - SEIU
- Tim Jin – Self-advocate
- Victor Lira – Aveanna Healthcare
- Will Leiner – Disability Rights California
- Yvette Baptiste – Family member

Purpose of the Master Plan for Developmental Services. According to DDS, development of the Master Plan will be a stakeholder-driven process with the stakeholder committee determining what the main focus or focuses will be. Largely, the aim of the Master Plan is to ensure that current services delivered are more equitable, consistent, and accessible by addressing inequities and geographic disparities in both the access to services and payment of services and addressing how consumers and their families ultimately navigate the developmental services system. Since 2019-20 the DDS budget has increased in total funding by 88 percent; this Master Plan aims to utilize these investments to their maximum capacity to deliver results.

Master Plan Process. Starting in April 2024, members of the Master Plan for Developmental Services Stakeholder Committee will participate in regular meetings that will be a combination of virtual and in-person. The Committee will be tasked with working with CalHHS and its departments to develop the Master Plan for Developmental Services by March 2025. The Stakeholder Committee includes 36 individuals comprising family members, self-advocates, providers, system connectors, regional centers, labor, and larger system stakeholders. The Stakeholder Committee will create subgroups on specific areas or topics (such as workforce, quality improvement, equity, financing, and governance) to ensure that a small group of members are able to iterate on pieces of the Master Plan and then bring back to the Stakeholder Committee for review and consideration. These subgroups will bring together additional subject matter experts, community partners, individuals with IDD, and family members to help shape the components of the Master Plan and provide opportunities for deeper and wider engagement. The initial work will be supported by redirecting existing DDS resources currently supporting strategic planning efforts and CalHHS is exploring philanthropic resources for the larger effort.

CalHHS Secretary Dr. Mark Ghaly has named Victor Duron, Chief Deputy Director of the Department of Rehabilitation (DOR), to serve as the Project Director of the Master Plan for Developmental Services. CalHHS has also established a team of subject matter experts, including an expert facilitator for self-advocate engagement, to work with the DDS and CalHHS leadership team on this effort.

Background on the Master Plan for Aging. CalHHS has successfully convened and executed a similar Master Plan effort, known as the Master Plan for Aging (MPA). In June of 2019, Governor Newsom released Executive Order N-14-19, calling for the MPA to serve as a blueprint for state and local government, the private sector, and philanthropy to implement strategies and partnerships that promote prepare the state for the coming demographic changes. Through the Executive Order, the CalHHS Secretary convened a cabinet-level Workgroup with representation across state agencies, as well as a Stakeholder Advisory Committee, including a Research Subcommittee and Long-Term Care Subcommittee. The MPA was established in statute in 2019 through enactment of SB 228 (Jackson) Chapter 742, Statutes of 2019, which, among other provisions, requires the state to submit an annual report to the Legislature each year. Starting in fall 2019, CalHHS and the California Department of Aging (CDA) embarked on a stakeholder engagement and subcommittee process. After stakeholders submitted recommendations to the state, CDA worked with the Cabinet Work Group partners to develop the Master Plan for Aging, informed by those recommendations. Governor Newsom released the MPA in January 2021, with Five Bold Goals including (1) Housing for All Ages and Stages; (2) Health Reimagined; (3) Inclusion and Equity, not Isolation; (4) Caregiving that Works; and (5) Affording Aging. Across the Five Bold Goals, there were 23 strategies and 95 initial initiatives that advance the MPA. Every two years, the administration refreshes the initiatives, based on stakeholder input elevated by the six MPA Stakeholder Advisory Committees. The MPA has guided investments across CalHHS in recent budgets.

Legislative Analyst's Office (LAO) Analysis. The following section include excerpts from the LAO's analysis on the Master Plan:[4]

- *In Concept, Proposal Appears Consistent With Existing Priorities*… DDS is developing and has initiated various efforts intended to address quality, equity, outcomes, and accountability. These efforts include, among others, service provider quality incentive payments, implicit bias training at regional centers, efforts to expand consumers' access to social recreation services, and standardized assessments for respite services. While these efforts have not yet been evaluated for efficacy or efficiency, they are meant to improve the experience of individuals and families receiving developmental services. As such, the proposed Master Plan therefore appears consistent with the department's existing efforts and stated priorities.

- *The Master Planning Process Has Potential Value*. While the Master Plan for Aging is still in the early stages of implementation and evaluation, it nonetheless sheds light on the possibilities for developing a master plan. A master plan can serve to focus and coordinate state efforts in a broad policy area that cuts across multiple state entities, initiated by a process of setting priority goals and developing an implementation plan to achieve the goals. For example, the Master Plan for Aging's five main goals address housing, health, community integration, caregiving, and economic security. The administration has taken various actions to start implementing the Master Plan for Aging, such as investing funds to construct or rehabilitate senior housing facilities through the California Department of Social Services' Community Care Expansion Program, as well as expanding food benefit eligibility for older adults as part of Food4All.

- *Legislature Has Opportunity to Inform the Vision for the Master Plan for Developmental Services*. At the time this analysis was prepared, the administration has not clearly articulated a definitive vision for the Master Plan for Developmental Services. This presents an opportunity for the Legislature to help establish the vision for both the development of the Master Plan and the plan's scope in the context of developmental services more broadly. Should the Legislature wish to proceed with the concept of a Master Plan for Developmental Services, we recommend that the Legislature consider introducing legislation, similar to that introduced for the Master Plan for Aging to ensure that the vision for the Master Plan for Developmental Services reflects legislative priorities. Questions to ask the administration could include: Why is DDS proposing to create a Master Plan now? Is a Master Plan the most appropriate vehicle to achieve the department's goals? Which types of developmental services would the Master Plan affect? How would the department ensure that any programs resulting from the Master Plan are inclusive of the diverse array of individuals served in the developmental services system? How would the Master Plan expand upon the department's existing initiatives to address quality, equity, outcomes, and accountability?

  While DDS indicated that it intends to collaborate with other state departments and programs on the Master Plan for Developmental Services, it has not yet released any details on its vision for this type of collaboration. Individuals with intellectual and developmental disabilities often receive services outside of DDS, including those overseen by the California Department of Education, the Department of Rehabilitation, the Department of Health Care Services, and the Department of Social Services. We recommend that the Legislature ask DDS to provide more information about

[4] The 2024-25 Budget: Department of Developmental Services, Legislative Analyst's Office, February 2023.

its plans for collaboration across state agencies. Questions to ask the administration could include: Which state agencies and departments would be involved in the development and implementation of the Master Plan? How would DDS ensure successful and efficient interagency coordination? Would DDS seek to create a Cabinet Work Group, similar to the group created for the Master Plan for Aging?

- *More Details Needed on Stakeholder Engagement.* While the department stated that it plans to convene a workgroup of stakeholders to inform the development of the Master Plan, it has not released details on the stakeholder engagement process. Chapter 742—concerning the Master Plan for Aging—specified requirements for the solicitation of stakeholder input. The Legislature could consider codifying a similar requirement for the Master Plan for Developmental Services.

  Relatedly, stakeholders have voiced the importance of giving a diverse representation of consumers the opportunity to meaningfully engage in the development of the Master Plan. We recommend the Legislature ask DDS to provide more information about its intended outreach to stakeholders and the role that stakeholders would play in developing the Master Plan. Questions to ask the administration could include: Does the department plan to solicit participation from consumers that historically have lower levels of service provision/purchase of service expenditures? How would DDS make the stakeholder process accessible in multiple languages? How would DDS encourage participation of family members that represent a wide range of consumer ages, from Early Start to elderly consumers? How would DDS educate laypeople about the developmental services system so that they are sufficiently empowered to provide meaningful feedback? Would meetings be structured to allow stakeholders sufficient time to voice their concerns and suggestions?

- *Legislature Will Likely Need to Give Fiscal Considerations a Key Focus.* In the context of likely budget deficits through 2027-28, understanding the potential fiscal impacts of the proposed Master Plan would be critical. To understand these potential impacts, the Legislature could ask the administration how it proposes to estimate the implementation costs of the Master Plan and fund any costs above current baselines. The Legislature may want to consider the potential future cost pressures of the administration's proposal as it evaluates the proposal and weighs it against other legislative funding priorities.

- *Proposal Does Not Address Ongoing Legislative Oversight of Plan Implementation*. At the time this analysis was prepared, DDS has not indicated whether the Legislature would have any role in overseeing the ongoing implementation of the Master Plan once it is developed. We note that the Department of Aging is required to submit annual reports to the Legislature on the implementation of the Master Plan for Aging. The Legislature could consider codifying a similar requirement for the Master Plan for Developmental Services. The information from such reporting could assist the Legislature in exercising ongoing oversight through its appropriations authority and review of administration spending plans. The Legislature could also ask DDS to elaborate on its plan to track ongoing implementation. Questions could include: How would DDS plan to define success and track progress under the Master Plan? How would DDS plan to record and analyze data under the Master Plan? What role would stakeholders play in Master Plan implementation? How would the department ensure its goals are sufficiently specific to be tied to measurable outcomes? How would

the department ensure financial transparency in its ongoing implementation tracking and reporting?[5]

Subcommittee Staff Comment and Recommendation – Informational Item. No budget resources are associated with this proposal.

Longstanding concerns about systemic disparities and inequities in the regional center system persist. These inequities have surfaced in the form of spending disparities between ethnic groups, such as disproportionate spending on white individuals compared to Hispanic/Latino individuals; disparities in spending on different types of services across regional centers; inconsistent purchases of services policies across regional centers that impact access to services; and the complicated web of "generic services" from multiple agencies that families must exhaust before a regional center will pay for a service or support. Some of these issues are summarized in Issue 3 of this agenda. Groups such as Disability Rights California,[6] Disability Voices United,[7] and the Little Hoover Commission[8] have analyzed these issues and provided recommendations to improve access to services and oversight of regional centers. By involving not only regional centers and DDS but all systems that serve individuals with IDD, the Master Plan for Developmental Services presents a unique opportunity to address many of the problems and solutions that have been identified, as well as chart a path forward for a more person-centered and equitable system.

Questions. The Subcommittee requests CalHHS and DDS respond to the following:

1. Please provide an overview of the Master Plan for Developmental Services, including the purpose, scope, and timeline.

2. How will CalHHS and DDS engage with a diverse array of individuals with IDD and their families as part of this process?

3. Which state agencies and departments will be involved in the development and implementation of the Master Plan? How will CalHHS and DDS ensure successful and efficient interagency coordination? Would CalHHS seek to create a Cabinet Work Group, similar to the group created for the Master Plan for Aging?

[5] LAO
[6] From Navigation to Transformation: Addressing Inequities in California's Regional Center System Through Community-Led Solutions, Disability Rights California, January 2023.
[7] A Matter of Race and Place: Racial and Geographic Disparities within California's Regional Centers Serving Adults with Developmental Disabilities, Disability Voices United, October 2022.
[8] A System in Distress: Caring for Californians with Developmental Disabilities, Little Hoover Commission, April 2023.

Issue 3: Implementation of Legislative Equity and Oversight Measures from the 2023 Budget Act

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Karina Hendren, Fiscal & Policy Analyst, Legislative Analyst's Office
- Pete Cervinka, Chief of Data Analytics and Strategy, DDS
- Amy Westling, Executive Director, Association of Regional Center Agencies (ARCA)
- Oscar Mercado, Self-Advocate, Member of Integrated Community Collaborative Alianza de Hombres
- Fernando Gomez, Parent and Co-founder, Integrated Community Collaborative

Legislative Equity and Oversight Measures from the 2023 Budget Act. SB 138 (Committee on Budget and Fiscal Review), Chapter 192, Statutes of 2023, included several changes to improve consistency, equity, and oversight in the regional center system. These changes were in response to ongoing equity issues raised by stakeholders and families and analyzed in multiple reports, many of which address themes CalHHS has cited in its desire to develop a Master Plan. The 2023 Budget Act also included $7.75 million ($6.2 million General Fund) for DDS to implement the changes included in SB 138. The key components of SB 138 are summarized below:

Legislative Intent for Regional Center Oversight – Welfare and Institutions Code (WIC) 4435

- Expresses legislative intent to advance regional center service provision that is person-centered and more uniform, consistent, and equitable.

- Expresses legislative intent that DDS, consistent with these equity goals, has the authority to oversee and monitor the manner in which regional centers provide services under the Lanterman Act.

Statewide Uniformity and Consistency – WIC 4435.1

- Requires DDS to develop common data definitions to promote access and equity in all regional center services and programs by June 30, 2024.

- Requires DDS to start recording the race and ethnicity and preferred language of each individual at the time of initial intake, assessment, and the IPP meeting following the individuals 18th birthday, by January 1, 2025. Requires this data to be integrated with the department's new case management system.

- Requires DDS to establish standardized processes, including standardized template, for assessing an individual's need for respite services, by June 30, 2025. Requires regional centers to implement the standardized process by January 1, 2026. Requires this process to include obtaining information about respite needs from family members and other caregivers. Requires regional centers to make modifications to their purchase of services policies in order to implement this requirement.

- Requires DDS to establish a standardized IPP by June 30, 2024. Requires the standard IPP template to be integrated with the department's new case management system. Requires regional centers to implement the standardized IPP template and procedures by January 1, 2025.

- Requires DDS to establish standardized vendorization procedures by January 1, 2025. Requires regional centers to implement these procedures and provide updated vendor lists to the department on a quarterly basis, beginning January 1, 2026.

- Requires DDS to establish a standardized intake process by January 1, 2025. Regional centers to report the following information on intake: (1) the number of assessments; and (2) length of time it took to determine eligibility, broken down by various demographic factors including age, race/ethnicity, and preferred language, no later than June 30, 2025.

- Requires DDS to incorporate the following in its new case management system: (1) the number of individuals for whom intake was requested; (2) the outcome of that intake, including whether an assessment was determined to be necessary; (3) the length of time it took to complete the assessment; and (4) the number of notices of action sent regarding the outcome of the initial 15-day intake period.

- Requires DDS to develop all of the standardized processes mentioned above with input from stakeholders including individuals with IDD and families who reflect the demographic diversity of the state, and requires DDS, in developing the standardized processes, to address barriers that may impact access to services.

Reporting on Generic Services and Common Supports – WIC 4435.2

- Requires DDS, with input from stakeholders, including individuals with IDD and their families, relevant state agencies involved in the provision of generic services (including the Department of Education, the Department of Rehabilitation, the Department of Social Services, and the Department of Health Care Services), to report to the Legislature on the following: (1) a definition of generic services; (2) options to improve the coordination of generic services; (3) a description of regional center efforts to coordinate generic services; and (4) identified barriers to accessing generic services, by July 1, 2025.

- Requires DDS to explore the feasibility of including the functionality to track utilization of generic services in its new case management system.

- Requires DDS to evaluate the availability of common services and supports, including inconsistencies in the availability of common services and supports throughout the state, including based on language, and recommendations for addressing those inconsistencies. Requires DDS to provide a status updates on these efforts by January 10, 2025.

Intake Improvements – WIC 4642 (a)(3)

- Beginning January 1, 2025, requires a regional center, by the end of the 15-day intake period, to determine if the individual is eligible or determine if the regional center will initiate an assessment; inform the individual regarding the action; and, in the case a regional center determines an individual is ineligible, provide them or their family with adequate notice.

SB 138 Implementation Update. DDS has provided the following chart summarizing the steps the department is taking to implement the various changes included in SB 138.

SB 138	DELIVERABLES	STATUS February 2024 ($7.8m, $6.2m GF)
RACE, ETHNICITY, LANGUAGE DATA WIC 4435.1(b)	• By 6/30/24 Establish common data definitions • By 1/1/25 Regional Centers (RC) start recording at milestones	DDS has met with diverse stakeholders for input on common data definitions. Next step includes DDS to seek public input through April 2024, on potential updates to data collection. On track to meet deliverable dates.
IPP TEMPLATE AND PROCEDURES WIC 4435.1(d)	• By 6/30/24 Establish standardized IPP template and procedures • By 1/1/25 RC implement procedures	Workgroup has been evaluating as part of RC Performance Measures initiative. A draft IPP template is being finalized that is inclusive of stakeholder workgroup recommendations. DDS continues to review draft IPP template with self-advocates, families and advocates. On track to meet deliverable dates.
INTAKE PROCESSES WIC 4435.1(f) WIC 4642(a)	• By 1/1/25 Establish standardized intake process • By 1/1/25 RCs determine eligibility and inform individual by 15 days • By 6/30/25 RCs report intake data (quarterly)	DDS has been actively reviewing RC intake process and procedures to identify best practices, to include data standards. DDS is meeting with stakeholders for input. On track to meet deliverable dates.
GENERIC SERVICES EVALUATION WIC 4435.2	• By 1/10/25 Status update on evaluation • By 6/30/25 Provide information to Legislature	An internal review of generic service requirements and will be meeting with stakeholders for input and recommendations. On track to meet deliverable dates.
RESPITE ASSESSMENT PROCESSES WIC 4435.1(c)	• By 6/30/25 Establish standardized process • By 1/1/26 RCs implement processes	DDS is researching practices, to include how other states have approached assessment standardization. Targeting Summer 2024 for stakeholder input and recommendations. On track to meet deliverable dates.

VENDORIZATION PROCEDURES WIC 4435.1(e)	• By 6/30/25 Establish standardized vendorization procedures • By 1/1/26 RCs implement procedures • By 1/1/26 RCs provide updated vendor lists (quarterly)	Initial efforts to standardizing vendorization includes two service codes (SDP transition and social recreation, camp and non-medical therapy; Establishing a statewide provider directory to serve as a portal and foundation for standardization; DDS continues to work with ARCA and broader community for long term deliverable. On track to meet deliverable dates.
Resources	• Allocated initial funding to support SANDIS modifications • Special Consultant joined DDS in February 2024, with additional Special Consultant anticipated by May 2024 • Additional recruitment in progress • Evaluating IT components to support standardization	$7m total funds remain for DDS and RC support (including SANDIS). Budgeted funds are available through June 2026.

Background on Disparities in the Regional Center System. Disparities in the provision of developmental services has been a longstanding concern in the regional center system. Existing law requires regional centers to compile and report purchase of services (spending) data broken down by race/ethnicity, age, language, disability detail, and residence type. These data consistently have shown large disparities in the average amounts spent among different groups. In particular, spending for Hispanic/Latino individuals is about half that for white individuals on average. DDS has pointed out that there are many reasons spending data varies – including an individual's age, and whether they live at home or in a licensed residential setting – and that spending disparities between ethnic groups narrow significantly when controlling for age and type of service.

The core of the Lanterman Act is that individuals receive services and supports that are uniquely tailored to meet their individual needs and reflect their personal choices and preferences. The services and supports that an individual needs may vary widely depending on an individual's disability, stage of life, preferred living situation, and personal choices. As a result, the dollars spent on each individual's services, according to their IPP, may also vary widely. Thus, measuring equity solely in terms of dollars spent on groups does not provide comprehensive insight into whether individuals with IDD are receiving the full array of person-centered services and supports they are entitled to receive under the Lanterman Act. It also does not measure the quality of the services provided.

Service Access and Equity Grants. In 2016, the Legislature authorized the Service Access and Equity grant program through ABX2-1 (Thurmond) Chapter 3, Statutes of 2016, which provides $11 million in ongoing General Fund for DDS to award grants to regional centers and community-based organizations in reducing spending disparities. The 2022 Budget Act temporarily doubled the funding for the Service Access and Equity grant program, adding $11 million one-time in addition to the $11 million annually. An independent evaluation of the Service Access and Equity grant program Georgetown University was anticipated from DDS in summer 2023.

Other Efforts to Promote Equity and Reduce Disparities. In addition to the Service Access and Equity grant program, DDS and regional centers are implementing many initiatives designed to promote equitable access to developmental services. Some of these initiatives include: the development of a community navigator program through family resource centers; a language access and cultural competency program at each regional center; implicit bias training, bilingual pay differentials for direct service professionals; establishing a Deaf Access Specialist at each regional center; reforming the fair hearing (appeal) process at regional centers; improving tribal engagement; and developing the Coordinated Family Supports program.

Background on Generic Services. The Lanterman Act requires individuals and families to exhaust "generic resources" before regional centers will purchase a requested service. This means regional centers have to first find out if another state agency is already responsible for meeting a need before the regional center can pay, making the regional center the "payer of last resort." Some examples of generic resources include healthcare services provided by Medi-Cal, assistance through the In-Home Supportive Services (IHSS) program, which is also a Medi-Cal program, and special education provided by public schools.

Existing law requires that before a regional center can pay for a service, the individual must not only show that they have been formally denied by a different agency, they must then appeal the denial. This was a cost-saving measure introduced during the Great Recession. According to the Association of Regional Center Agencies (ARCA), this appeal requirement "makes it harder to get services, so people – especially in underserved communities – give up, even though they need the service."[9]

The 2023 Budget Act included trailer bill language - AB 121 (Committee on Budget), Chapter 44, Statutes of 2023- that requires regional centers to purchase medical services identified in the individualized family service plan if the service is not available within 60 days through the family's health insurance or Medi-Cal, and requires a regional center to purchase medical services during any plan delays, including the appeals process. However, it did not eliminate the appeal requirement.

Disability Rights California Report on Inequities in the Regional Center System. According to a recent report by Disability Rights California (DRC), "our current system places the onus almost entirely on the disabled person or their family to pursue and prove the unavailability of a requested service from a generic resource. DRC's clients of color consistently cite this bureaucratic process as one of their most significant barriers to accessing services."[10]

DRC also found that "at regional centers, service authorizations are determined through multiple layers of discretionary decision-making, creating many points where inconsistency and unintended bias can creep in. Identifying key decision-making factors or processes that should be standardized across regional centers could serve as a powerful counter. For example, people of color tell DRC that service coordinators often make assumptions about the availability of unpaid family caregiving for those living in multigenerational homes—assumptions that limit services for people who live with family members, who tend to be disproportionally of color and have lower incomes. Standardized rubrics that prompt a more

[9] Association of Regional Center Agencies.
[10] From Navigation to Transformation: Addressing Inequities in California's Regional Center System Through Community-Led Solutions, Disability Rights California, January 2023.

comprehensive, nuanced review of family circumstances could help minimize such unintended consequences."[11]

Disability Voices United Report on Differences Across Regional Centers. A report published by Disability Voices United (DVU), "A Matter of Race and Place," outlines the ways in which geographic disparities, in addition to racial/ethnic disparities, can impact access to services for individuals with IDD.[12] This report notes that some regional centers spend more on services than others, regardless of race/ethnicity. For example, DVU found that Westside Regional Center borders Harbor Regional Center (Long Beach/South Bay) with similar demographics. Yet average spending on adults who are living at home is vastly different with a $16,710 gap between the two neighboring regional centers. DVU further found that the difference between the highest spending (Eastern Los Angeles Regional Center - $80,792) and the lowest spending (Inland Regional Center- $14,338) for adults in Supported Living Services is $66,454.

Little Hoover Commission Report. In April 2023, the Little Hoover Commission published a report calling for urgent action to improve the governance and accountability of the regional center system and "to address longstanding inequities that make it easier for some to access needed services than others."[13] Some of the Little Hoover Commission's recommendations center around: creating more consistency across regional centers, including creating a consistent intake process; creating standard categories to measure racial and ethnic characteristics; improving DDS oversight over the 21 regional centers; evaluating policy differences across regional centers; standardizing vendorization (the process by which regional centers contract with service providers to deliver services); modernizing technology; and improving service coordination.

Subcommittee Staff Comment – Informational Item. The changes included in SB 138 begin to address some of the issues raised in the reports mentioned above, many of which have been elevated in this Subcommittee by individuals with IDD and their families and advocates. The Governor's Master Plan for Developmental Services could be an opportunity to expand these reforms and further progress towards a more equitable and accessible system for individuals with IDD.

Questions. The Subcommittee requests DDS respond to the following:

1. Please describe the department's work to date to implement SB 138. How is DDS collaborating with stakeholders, including individuals and families served? What are the department's next steps for implementation?

2. A final evaluation of the Service Access and Equity grant program was expected summer 2023. What are the key findings of this report? When will this report be available to the Legislature?

[11] Disability Rights California.
[12] A Matter of Race and Place: Racial and Geographic Disparities within California's Regional Centers Serving Adults with Developmental Disabilities, Disability Voices United, October 2022.
[13] A System in Distress: Caring for Californians with Developmental Disabilities, Little Hoover Commission, April 2023.

Issue 4: Rate Reform Delay

Panel Discussion. The Subcommittee has invited the following individuals to participate in a panel discussion on this item:

- Christopher Odneal, Department of Finance, and Carla Castañeda, DDS
- Wendy Forkas, CEO of Adjoin and President, California Disability Services Association
- Tony Anderson, Associate Director, Association of Regional Center Agencies
- Vivian Haun, Senior Policy Attorney, Disability Rights California
- Jacquie Foss, Board President, California Community Living Network and Director of Public Policy, Strategies to Empower People (STEP)
- Karina Hendren, Fiscal & Policy Analyst, Legislative Analyst's Office

Budget Solution – Governor's Budget. The Governor's budget proposes a one-year delay of the final phase of service provider rate reform. Under the Governor's proposal, the final phase of rate reform, currently scheduled to take effect July 1, 2024, would instead take effect on July 1, 2025. This generates $1 billion ($612.5 million General Fund) in savings in 2024-25.

Trailer Bill Language – Governor's Budget. The Governor's budget proposes trailer bill language to implement the proposed delay of service provider rate reform, which is codified in Welfare and Institutions Code (WIC) 4519.10.

Background on Service Provider Rate Reform. In 2016, the Legislature required a rate study to address the sustainability, quality, and transparency of community-based services for individuals with IDD. The development of a new rate study was a response to concerns that existing DDS rates lacked transparency, were overly complex, were not tied to person-centered outcomes, and varied across providers who provide the same service in the same region. DDS, with the help of a consultant, completed the rate study in 2019 and subsequently submitted the study's findings and recommendations to the Legislature. Among other things, the rate study recommended:

- Rate models within each service category.
- Regional differentials to account for regional variance in the cost of living and doing business.
- Enhanced rates for services delivered in other languages, including American Sign Language.
- An option add-on for direct service professional levels and wage differentials based on training and demonstrated competency.
- The consolidation of certain service codes.

The rate study's fiscal impact analysis indicated that full implementation of rate models would cost an additional $1.8 billion ($1.1 billion General Fund).

Implementation of Rate Reform. Beginning in the 2021 Budget Act, the Governor and Legislature initiated a five-year plan to phase in rate reform, guided by four goals: consumer experience, equity, quality and outcomes, and system efficiencies. The Legislature required that at full implementation, fully funded models be implemented using two payment components: (1) a base rate equaling 90 percent of the rate model, and (2) a quality incentive payment, equaling up to 10 percent of the rate model, implemented via a new quality incentive program. The quality incentive component of rate reform responds to the prevailing need within the developmental services system of moving from a compliance-based system to an outcomes-based system based on meeting individual needs and person-centered planning.

The rate reform schedule approved in the 2021 Budget Act implemented the first phase of rate reform (equaling 25 percent of the difference between prior rates and the fully funded rate model), and required the fully funded rate models to take effect by July 1, 2025. In response to concerns about severe shortages of direct care staff, the Legislature in the 2022 Budget Act accelerated the rate reform schedule to reach full implementation by July 1, 2024. At the same time, the Legislature required providers to maintain documentation, subject to DDS or regional center audits, that the portion of the 2023 rate increase was used to increase wages, salaries, or benefits of direct care staff. The second 25 percent increase took effect January 1, 2023. The final 50 percent increase, including the quality incentive component, is the final phase of rate reform implementation.

Governor's proposed one-year delay. The Governor's proposal would delay the final phase of rate reform, equaling the final 50 percent of the difference between prior and the fully funded rate models, and inclusive of the 10 percent quality incentive component, from July 1, 2024 to July 1, 2025.

Quality Incentive Program (QIP). Funding for the QIP has been established in the annual Budget Act as an approximate percentage of the funding included for rate reform implementation increments. At full implementation, WIC 4519.10 allows up to 10 percent of the fully funded rate model to be used for the QIP. Until full implementation, QIP incentive payments are funded separately from rate adjustments. The Governor's proposed 2024-25 budget includes $137.5 ($82.5 million General Fund) for the QIP.

To develop quality measures for the QIP, which will constitute the 10 percent quality incentive component of the fully funded rate models, DDS formed a QIP Workgroup and has been phasing in quality measures and incentives for various provider categories beginning in 2022-23. Existing focus areas with defined quality measures include: workforce capacity and service access; employment access; employment capacity; and prevention and wellness. Additional measures for informed choice and satisfaction, early intervention, and employment satisfaction, are underway. For example, under the prevention and wellness measure, a residential care provider may receive an incentive payment for demonstrating that individuals are receiving certain preventative health services. Some of the existing measures are foundational; for example, the workforce capacity inventive is based on completion of a survey assessing workforce retention and capacity.

WIC 4519.10 allows measures and benchmarks in the initial years of the QIP to focus on building capacity, developing reporting systems, gathering baseline data, and similar activities, while working towards meaningful outcome measures at the individual level for all services. By 2025-26, the QIP must include measures at the individual level. This ramp-up time for the QIP to include more individualized outcome measures recognizes that DDS must first develop the infrastructure to allow for the collection and submission of data and information that reflects individual outcomes. DDS has shared that in order to

meet the statutory July 1, 2024 date by which every service provider must have an available quality incentive, DDS will launch a voluntary "service provider directory" which requires the submission of provider information into a centralized DDS system. While this service provider directory does not meet the ultimate goals of measuring service quality and transforming to an outcomes-based system, it is a step to create the infrastructure to do eventually meet these goals.

DDS is on a dual track with two implementation scenarios. Because existing law requires DDS to implement the fully funded rate model by July 1, 2024 (including the 10 percent quality incentive component), DDS is moving forward with seeking the necessary federal approvals for reimbursement under the Home and Community-Based Services (HCBS) waiver. Should the Legislature approve the Governor's proposed one-year delay, DDS would rescind the posted HCBS waiver amendment. For the year that the Governor proposes delaying full implementation, the state would forgo $408 million in federal reimbursements.

LAO Analysis. The following is an excerpt from the LAO's analysis of the 2024-25 DDS Budget:[14]

- *Proposal Would Help Address the State Budget Problem*… The $612.5 million decrease in General Fund spending for rate reform implementation would help the state address its budget deficit in 2024-25. (There are proposed budget solutions across many other programs as well. Our recent publication, The 2024-25 Budget: Overview of the Governor's Budget, provides more information on the state's budget problem and the overall package of proposed budget solutions.) The delay would mean the rate model implementation would remain roughly half-way implemented in 2024-25.

- *…But Could Delay Addressing Direct Care Staff Workforce Shortages.* We have heard concerns from stakeholders that the challenges faced by providers in hiring an adequate number of direct care staff, which helped initiate rate reform acceleration in 2022-23, have not yet been fully overcome. Providers indicate that a continuing shortage of direct care staff could delay service provision to DDS consumers, as providers might have to decline referrals from regional centers due to lack of available staff. Consumers might therefore need to wait longer before a provider can begin to serve them. Additionally, a continuing shortage of direct care staff could disrupt service continuity for those consumers who are successfully referred to a provider due to staff scheduling challenges. We note that DDS has recently adopted workforce initiatives that could improve workforce stability in the longer run, such as bilingual pay differentials and Direct Service Professionals University (a training and certification program tied to wage differentials for direct care staff). However, as these efforts are still in the early stages of implementation or not yet fully implemented, they are unlikely to address providers' immediate workforce needs in 2024-25.

- *Consider Whether Alternative Approaches Are Warranted.* While the proposal would help address the state budget problem, it involves trade-offs. Specifically, some DDS consumers may not receive services as quickly as could be possible were the full rate reform implemented in 2024-25. Rejecting the administration's proposal, however, requires dollar-for-dollar reductions in other areas of the budget. Alternatively, the Legislature could consider a scaled-back budget solution that allows some level of funding for the final phase of rate reform in 2024-25 while reducing the

[14] The 2024-25 Budget: Department of Developmental Services, Legislative Analyst's Office, February 2023.

adverse impacts associated with the proposed solution. For example, such a scaled-back approach could target select service provider codes where the workforce shortages are most acute. This approach would require collaboration with the administration and stakeholders. Additionally, it would still require alternative budget solutions in other areas of the budget (although of a lesser dollar amount than would be required if the administration's proposal were rejected completely). We note that delaying the final phase of rate reform is only a one-year budget solution. That is, the ongoing costs of the final phase of rate reform are reflected in the administration's multiyear estimates beginning in 2025-26 (when the state continues to face budget deficits).

HCBS Spending Plan. The Home- and Community-Based Services (HCBS) Spending Plan, which is funded by federal the American Rescue Plan Act of 2021 (ARPA), includes $1.8 billion ($1 billion HCBS ARPA, $789.7 million Reimbursement) for rate reform implementation over the three years of the HCBS Spending Plan. The Governor's updated 2023-24 budget includes a total of $1.2 billion for rate reform, of which $225.7 million is General Fund, and the other funds are federal HCBS ARPA and reimbursements. HCBS ARPA and reimbursements fund the costs of service provider rate reform for approximately the first three quarters of fiscal year 2023-24, after which the HCBS funding dedicated to rate reform will be exhausted and General Fund will pick up the costs. In the Governor's proposed 2024-25 budget (which includes the one-year delay of the final phase of rate reform), service provider rate reform includes a larger share of General Fund ($729.9 million) due to the expiration of federal HCBS funding. A breakdown of the HCBS ARPA, General Fund, and reimbursement components of Rate Reform is included below. A summary of all DDS components of the HCBS Spending Plan is included in Issue 9 of this agenda.

FY 2023-24	Enacted Budget	FY 2023-24	Difference
TOTAL	**$1,200,413**	**$1,200,413**	**$0**
HCBS ARPA	$441,381	$496,499	$55,118
HCBS ARPA Reimbursements	$292,844	$329,233	$36,389
GF	$280,058	$225,655	($54,403)
Reimbursements	$186,130	$149,026	($37,104)

FY 2024-25	FY 2023-24	FY 2024-25	Difference
TOTAL	**$1,200,413**	**$1,215,414**	**$15,001**
HCBS ARPA	$496,499	$0	($496,499)
HCBS ARPA Reimbursements	$329,233	$0	($329,233)
GF	$225,655	$729,880	$504,225
Reimbursements	$149,026	$485,534	$336,508

Source: DDS

Stakeholder Concerns. A broad coalition of organizations representing individuals with IDD and families, regional centers, service providers, labor, and advocates is opposed to the Governor's proposed rate reform delay, expressing the impact this delay will have on access, equity, and quality for services to individuals with IDD.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DDS and Department of Finance (DOF) respond to the following:

1. Please provide an overview of this proposed budget solution and the Administration's rationale.

2. What impact might the Governor's proposed delay have on workforce capacity and access to services for individuals with IDD?

3. How will this proposed delay impact the shift to an outcomes-based system envisioned under rate reform? Please include a discussion of: (1) how the Quality Incentive Program would function with and without the Governor's proposed delay; and (2) the department's plans to move beyond the service provider directory and towards measuring individual outcomes as the Quality Incentive Program develops.

Issue 5: Individual Program Plan Meetings

Panel Discussion. The Subcommittee has invited the following individuals to participate in a panel discussion on this item:

- Nancy Bargmann, Director of DDS
- Rose Frihart, Attorney, Children's Law Center of California

Trailer Bill Language – Governor's Budget. The Governor's budget includes trailer bill language that does not extend the temporary option for an Individual Program Plan (IPP) meeting to be held remotely. Instead, this proposed trailer bill recasts legislative intent to (1) express the value of developing a collaborative relationship between individuals with IDD and their families and their service coordinators; (2) emphasize the benefit of face-to-face contact, and (3) prioritize IPP meetings that are held at locations and times that are convenient for the individual and family served, and allow individuals to invite authorized representatives, supporters, and advocates, as appropriate.

Background on Individual Program Plan (IPP) Meetings. Individuals with IDD who are served by regional centers receive services according to an IPP. An IPP is a plan for services and supports developed according to the needs and personal choices of the individual. The IPP is required to prioritize the services and supports that allow children to live with their families and adults to live in the community as independently as possible.

WIC 4646 outlines the intent and process of developing IPPs. These planning efforts are a series of interactions among a planning team including the individual with IDD, their family (as applicable) or other authorized representative, regional center representative(s), and others as invited by the individual with IDD or family, as appropriate. IPPs must be reviewed and modified by the planning team at least once every three years. In addition, individuals with IDD or their parents or representative have the right to request an IPP meeting at any time and have the meeting held within 30 days, or seven days under certain circumstances.

Flexibility for remote IPP meetings during COVID-19. In March 2020, in response to the COVID-19 Pandemic, DDS waived requirements for in-person IPP meetings through department directive. The Legislature extended the flexibility for individuals and families to hold remote IPP meetings through June 30, 2024, in trailer bill language included in AB 121 (Committee on Budget), Chapter 44, Statutes of 2023. The option for the remote meeting is an option for the individual and their family, at their preference.

Trailer Bill Language would end flexibility for remote IPP meetings. The Governor's proposed trailer bill language does not extend the current remote flexibility for IPP meetings, which expires on June 30, 2024. Instead, the proposed trailer bill recasts legislative intent language regarding IPP meetings, as follows:

1. Recasts existing legislative intent language to state that IPPs should be developed using a person-centered approach that reflects the needs and preferences of the individual with IDD and, as appropriate, their family. The services and supports provided by the regional center should assist each individual with IDD to achieve their personal outcomes and life goals and promote inclusion in their community.

2. Adds intent language stating that the Legislature acknowledges the value of developing a collaborative relationship between individuals with IDD and, as appropriate, their parent, legal guardian, conservator, or authorized representative and service coordinators, and that face-to-face contact helps increase communication and foster more understanding and build relationships.

3. Adds legislative intent language stating that the Legislature places a priority on in-person IPP meetings that are held at a location and at times that are convenient for the individual with IDD and, as appropriate, their parent, legal guardian, conservator, or authorized representative and include a supporter or advocate if invited by the individual with IDD, and, as appropriate, their parent, legal guardian, conservator, or authorized representative.

According to DDS, "the priority should be placed on face-to-face contact and in-person interaction. The face-to-face contact should be at a time and location preferred by the individual, or, if appropriate, their parents, legal guardian, conservator, or authorized representative. Further, the language recognizes the value of, and makes an allowance for having supporters or advocates participate in IPP meetings at the invitation of consumers."

Stakeholder Concerns. Several stakeholders and advocates representing individuals with IDD and their families have raised concerns about the Administration's proposal to end the option for remote IPP meetings. According to Disability Rights California, "since its codification in 2020, the option to have IPP meetings remotely upon request has not only helped hundreds of thousands of people have IPP meetings safely during the COVID-19 public health emergency, it has increased individuals' ability to include their chosen loved ones, supporters, providers or advocates, and to overcome access barriers such as distance, transportation, childcare needs, or difficulty taking time off work…without new statutory language that explicitly preserves this option or at least identifies circumstances when remote meetings would be appropriate, people with IDD may be required to have their IPPs in person even when it does not meet their needs or makes the full or timely engagement of key participants infeasible."

Disability Rights California also states that the end of this flexibility could pose additional issues when coordination across agencies is necessary, such as for children involved in the child welfare system or juvenile justice systems, or those with dually diagnosed behavioral health issues.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes substantial opposition to this proposed trailer bill language from individuals who represent people with IDD and their families. Being able to observe an individual in person in their home environment may facilitate a more complete understanding of what that individual's service needs are. At the same time, any outcome on this issue should prioritize the preferences of the individual with IDD and their family - especially in light of the HCBS Final Rule which requires person-centered planning to be driven and directed by the individual.[15] It is also critical to understand the impact on children involved in multiple systems, such as youth housed in juvenile justice facilities and children involved in the child welfare system. For children involved in the child welfare system, for example, a child may not be living with the person who holds their developmental services rights and is authorized to consent to services on behalf of

[15] Home and Community-Based Services Final Rule Fact Sheet, DDS.

the child. It may also be necessary to involve the child's attorney, social worker, or other family members in the IPP meeting, for whom attending in-person may not be a practical option.

Questions. The Subcommittee requests DDS respond to the following:

1. Please provide an overview of this proposal.

2. How often and under what circumstances do service coordinators meet with individuals in person? What other situations enable the building of relationships between the regional center and the individual with IDD and their family?

PUBLIC COMMENT ON DDS ISSUES 1-5

Issue 6: Preschool Inclusion Grants Delay

Budget Solution – Governor's Budget. The Governor's budget proposes to delay the Preschool Inclusion Grant program from 2024-25 to 2026-27.

Preschool Inclusion Grants. The 2022 Budget Act included $20 million General Fund over two years for DDS to issue grants to enable preschool programs to include more children with exceptional needs.

The 2023 Budget Act approved a delay of this two-year program until 2024-25. The Governor's proposed budget for 2024-25 includes a second, two-year delay of this program until 2026-27. This proposed delay would generate $10 million General Fund savings in 2024-25 and an additional $10 million General Fund savings in 2025-26.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DDS respond to the following question:

1. Please provide an overview of this proposal.

Issue 7: Self-Determination Program Participant Choice Specialists

Expiration of Limited-term Funding – Governor's Budget. The Governor's budget includes the expiration of limited-term funding which supports Participant Choice Specialists who assist individuals in the Self-Determination Program at regional centers. The expiration of limited-term funding equates to a decrease of $7.2 million ($4.8 million General Fund) in 2024-25.

Background on the Self-Determination Program (SDP). The SDP is an optional alternative to the traditional method of service delivery through regional centers. The SDP provides individuals served by regional centers and their families with more flexibility, responsibility, and choice in the services and supports they receive. Individuals who participate in SDP are provided with an individual budget, which is determined by the IPP team and is based upon the amount of services purchased by the regional center for the individual in the most recent 12 months. Individuals who participate in the SDP then develop a spending plan to implement the services and supports identified in the IPP. Unlike the traditional model, the SDP spending plan can include services and supports provided by providers who are not vendors of the regional center. Participants in SDP must use a Financial Management Services (FMS) provider which pays all providers, including employees hired by the participant, directly.

The SDP was created out of SB 468 (Emmerson), Chapter 683, Statutes of 2013, and originally began as a pilot program limited to 2,500 individuals. The Center for Medicare and Medicaid Services approved the state's request to renew federal funding for a five-year period effective July 1, 2021. The SDP program became available to everyone on July 1, 2021. From July 1, 2018 through December 31, 2023, 3,807 individuals participated in the SDP.

Participant Choice Specialists. Participant Choice Specialists were identified to support the transition of the SDP to a statewide program. Participant Choice Specialists are intended to be subject matter experts in SDP, dedicated to supporting regional center service coordinators, individuals with IDD, and families with timely transitions to SDP and building institutional knowledge about SDP at regional centers. Over the three years of limited term funding, regional centers received $7.2 million ($4.8 million General Fund) each year for these positions. 2023-24 is the last year this funding is available under the original appropriation.

According to DDS, regional centers may use existing funds to support individuals and families to transition to SDP after the limited-term funding expires at the end of 2023-24. DDS also notes that the department has initiated other efforts to support individuals in transitioning to the SDP, such as a new "transition support" service code for up to 40 hours of general enrollment support. DDS also will be adding incentive funding under the Regional Center Performance Measures to support SDP efforts, which regional centers could use to support Participant Choice Specialists.

Stakeholder Concerns. According to Disability Voices United (DVU), "Participant Choice Specialists are a critical component of the ongoing implementation of the [SDP], which already faces significant barriers and bureaucracy, particularly for people of color. Removing these positions could lead to increased disparities and reduced participation in the program…we have observed, and heard numerous accounts from participants and family members that the specialists play a critical role in moving each SDP enrollment through the bureaucratic processes…the elimination of these positions has the potential to grind the SDP to a complete halt."

Subcommittee Staff Comment and Recommendation – Hold Open. While the Governor's budget includes a funding reduction for Participant Choice Specialists, this reduction is not considered a budget solution because the appropriation was limited term. Nonetheless, the Legislature may wish to consider any harmful impacts the expiration of this funding may have on individuals who are enrolled in, or wish to enroll in, the SDP.

Questions. The Subcommittee requests DDS respond to the following:

1. Please provide an overview of the funding for Participant Choice Specialists. What is the anticipated impact of this funding expiring?

2. Does DDS anticipate the expiration of this funding will have an impact on participants or new enrollments in the Self-Determination Program?

3. How does SDP enrollment vary across regional centers, and how does DDS oversee regional centers in assisting individuals with enrolling in SDP? What lessons has the department learned from regional centers who have enrolled more participants?

Issue 8: Regional Center Family Fees

Trailer Bill Language – Governor's Budget. The Governor's budget proposes trailer bill language to repeal the Family Cost Participation Program and Annual Family Program Fee, effective July 1, 2024.

Background on Regional Center Family Fees. While services under the Lanterman Act are an entitlement for eligible individuals, some families whose children receive specific services are required to pay fees to cover a cost of those services. Prior to COVID-19, three separate fee programs existed, all of which were temporarily suspended due to the pandemic:

- **Family Cost Participation Program (FCCP):** The FCPP requires regional centers to assess a cost share on parents of any child age 17 or younger authorized to receive respite, day care and/or camping services. It does not apply if children are on Medi-Cal or if family income is below 400 percent of the Federal Poverty Level. This fee is outlined in WIC 4783 and is currently suspended.

- **Annual Family Program Fee (AFPF):** The AFPF requires regional centers to assess an annual fee to parents of children age 17 or younger when the child or family receives any services beyond eligibility determination, needs assessment, and service coordination. It does not apply if children are on Medi-Cal, if family income is below 400 percent of the Federal Poverty Level, or if the child receives only respite, day care or camping services from the regional center, for which the family pays a fee under the FCPP. This program is outlined in WIC 4785 and is currently suspended.

- **Parental Fee Program (PFP).** The PFP requires DDS to assess a monthly fee to parents of children under 18 if the child is receiving 24-hour out-of-home services. The fee is assessed monthly to parents with annual gross income at or above 201 percent of the current Federal Poverty Level, and is based on a percentage of income, ranging from three to six percent of the family's income.

Fees collected from the AFPF and PFP are deposited into the Developmental Disabilities Program Development Fund (PDF) and can be expended as prescribed by statute to support new programs, expand existing ones, or offset existing General Fund costs. The FCPP is a cost share, not a fee, and is determined by the regional center when eligible services are authorized.

Proposal to Repeal FCCP and AFPF. This trailer bill language proposes to repeal the FCCP and the AFPF, based on a DDS evaluation of these programs while they were suspended.

According to DDS, regional centers have reported that FCCP is the most complex to administer, hard to explain to families, and because of the complexities, resulted in a low rate of participation. Although intended to achieve cost avoidance, the actual fiscal impact is indeterminate. DDS also notes that AFPF is characterized by variations in program administration and varying degrees of program compliance. Although historical AFPF revenues have ranged from approximately $900,000 to $1.3 million from 2014-15 to 2018-19, the actual costs associated with regional center administration is unknown.

Further, according to DDS, both programs may create distrust of regional centers, impacting parent/service coordinator relationships. Repealing these fee programs will improve consistency and assist

in maintaining regional center core functions surrounding assessment, service coordination, and provision of services. The fiscal impact related to repeal of the FCPP is indeterminate. Repeal of the AFPF would result in a slight PDF fund revenue decrease in 2024-25, which would represent phased-in revenues following the restart of the program. Loss of revenues may partially be offset by reduced regional center workload. DDS does not seek any General Fund augmentation resulting from these repeals.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DDS respond to the following:

1. Please provide an overview of this proposal.

Issue 9: DDS Items in Home and Community-Based Services (HCBS) Spending Plan

Governor's Budget. The Governor's proposed budget includes some shifts of funding among DDS initiatives under the HCBS Spending Plan, but total HCBS ARPA funding remains unchanged from the 2023 Budget Act.

Background on the HCBS Spending Plan. As a part of the 2021 Budget Act, the state was required to submit a package of home- and community-based services (HCBS) enhancements—known as the HCBS spending plan—to the federal government as a condition of drawing down additional federal funds resulting from a temporary 10 percentage point increase to the federal Medicaid match rate. California's plan included $3 billion in HCBS enhancements (which matched by an additional $1.6 billion in standard Medicaid funds, totaling $4.6 billion). The 2021 Budget Act included control section language that allows the administration to allocate and expend funds to implement the HCBS enhancements through the annual budget process or written midyear notifications to the Legislature. The Department of Health Care Services (DHCS) is the lead state agency on the plan, which spans 26 initiatives across six departments under the California Health and Human Services Agency. This issue is limited to the HCBS-funded programs administered by DDS.

DDS Programs under the HCBS Spending Plan. The HCBS Spending Plan includes six DDS programs. The table below shows the funding allocated pursuant to the HCBS Spending plan for each item, and the total funds spent per the latest update from the Department of Finance. This data reflects actual expenditures over the multi-year spending period as of September 2023; therefore it is likely an underestimate of actual expenditures to date.

DDS HCBS Program	Total HCBS Funding (Governor's Budget)	Actual Expenditures (September 2023)
Social Recreation	$14.7 million	$14.7 million
Language Access and Cultural Competency	$41.6 million	$37.5 million
Rate Reform Implementation	$1.8 billion	$1.3 billion
Modernize Regional Center IT Systems	$7.5 million	$5.8 million
Coordinated Family Supports	$18 million	$9 million
Enhanced Community Integrations for Children and Adults	$12.5 million	$12.5 million

- **Social recreation and camping ($14.7 million).** This program funds regional centers purchase of services for a number of services that were suspended during the Great Recession and restored in 2021: social recreation, camping, educational services for children 3-17, and nonmedical therapies such as specialized recreation, art, dance and music. This reflects the decrease in the Governor's proposed 2024-25 budget, not the original $121 million included in earlier versions of the HCBS Spending Plan.

- **Language access and cultural competency ($41.6 million).** This program funds language access and cultural competency orientations and translations for individuals served by Regional Centers and their families, including: identification of vital documents for translation, regular and periodic language needs assessments to determine threshold languages, coordination and streamlining of

interpretation and translation services, and implementation of quality control measures to ensure the quality of translations. All 21 regional centers have created comprehensive plans reflecting their data of languages, ethnicities and cultures to better support language/cultural needs of individuals/families served.

- **Rate Reform ($1.8 billion).** This represents the vast majority of HCBS funding for DDS. Service Provider Rate Reform is covered in Issue 4 of this agenda.

- **Modernize Regional Center IT Systems ($7.5 million).** This investment supports the initial planning process to update the regional center Uniform Fiscal System (UFS) and implement a statewide Consumer Electronic Records Management System (CERMS).

- **Coordinated Family Supports ($18 million).** Coordinated Family Supports is a pilot program designed for adults who are 18 years and older who choose to live in their family homes. Currently, adults living outside the family home have more coordinated supports than individuals living with their families. As of December 31, 2024, there were 38 unique service providers delivering Coordinated Family Support services to 192 individuals. There is no funding for Coordinated Family Supports to continue in 2024-25 but DDS has not announced an end date for this pilot.

- **Enhanced Community Integrations for Children and Adults ($12.5 million).** This is a grant program to fund projects that will enhance and develop integrated and inclusive social and recreational programs for children and adolescents with IDD in diverse communities.

HCBS Spending Plan Timeline. The 2023 Budget Act included an extension of the HCBS Spending Plan period through December 31, 2024. The Governor's Budget estimates that all DDS HCBS Fund/Reimbursement funding will be expended by the end of 2023-24 (with liquidation continuing through December 2024).

Changes to HCBS Spending Plan. The Governor's proposed 2024-25 budget includes several multi-year changes to DDS items within the HCBS Spending Plan, although total HCBS ARPA funding remains unchanged. The changes include a significant decrease in social recreation based on actual costs and utilization, in addition to several minor changes to reflect revised reimbursement assumptions. HCBS Expenditures for Rate Reform implementation increase in 2023-24 as $45.9 million in total HCBS funding is redirected from social recreation.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed.

Questions. The Subcommittee requests DDS respond to the following:

1. Please explain the redirection of social recreation funds to rate reform implementation. Is DDS on track to spend remaining HCBS funding by December 31, 2024?

Issue 10: Probability Sampling and Statistical Extrapolation

Trailer Bill Language – Governor's Budget. The Governor's budget proposes trailer bill language to allow DDS and regional centers to use probability sampling and statistical extrapolation when conducting fiscal audits of service providers.

Background on DDS Audits. Pursuant to WIC 4648.1, DDS is authorized to exercise oversight responsibilities through the audit of service providers. Either DDS or a regional center may recover from a provider funds paid for services when either determines that the services were not provided in accordance with the regional center's contract or authorization with the provider, or with applicable state laws or regulations, and/or the rate paid is based on inaccurate data submitted by the provider on a provider cost statement. Currently, DDS auditors typically choose two months in the most recently completed fiscal year and examine all claims for services provided during those months. If material audit overpayments are found in the sample months, extensive audit staff time is required to extend the testing to the full year (or longer) to recapture more significant overpayments.

With approximately 80 percent of individuals served through DDS eligible for Medi-Cal, audits include Medi-Cal providers, and expenditures reimbursed by the federal Home and Community Based Services Waiver and State Plan Amendments (SPAs). DDS is a legally delegated extension of the Department of Health Care Services (DHCS) audit program covering Medi-Cal providers, pursuant to WIC 4406. The department maintains accountability for all Waiver and SPA-related financial transactions through audits of service providers.

More Efficient Method for Expanding Audit Coverage. As part of its oversight work, DDS has recently employed the use of limited scope audits. These types of audits allow for increased efficiencies in DDS audit processes and are less time-intensive than full scope audits for both DDS staff and service providers. Based on limited scope audit findings, audits can become full scope audits for more detailed review and testing.

DDS proposes to use extrapolation to expand audit coverage in high-risk service areas and only for full scope audits. DDS may use statistical sampling to project the amount of overpayment to service providers when significant levels of erroneous billing are suspected and when the costs of reviewing all individual purchase of service claims of a service provider record for long periods is not administratively feasible or practical. Extrapolation would be used when a statistically valid method of probability sample testing results in a significant error rate. The proposed statutory changes are based on DHCS regulatory authority for statistical extrapolation (California Code of Regulations, title 22, section 51458.2.). Extrapolation is permitted by the Centers for Medicare & Medicaid audit guidelines and professional audit standards.

Before the extrapolation method is applied, several factors will be considered, including: the cause of the errors rate, how long the pattern of erroneous billing is believed to have existed, evidence or likelihood of fraud, total number of payment claims submitted and associated dollar amounts, and service provider good faith efforts to address the error rate.

According to DDS, the authorization to use extrapolation will provide for more efficient use of audit resources and increase oversight through the number of service providers audited each year; increase

timely and successful recovery of audit overpayments, and align DDS's service provider audit processes with DHCS's audit of Medicaid providers.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DDS respond to the following:

1. Please provide an overview of this proposal.

PUBLIC COMMENT ON DDS ISSUES 6-10

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, April 4th, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

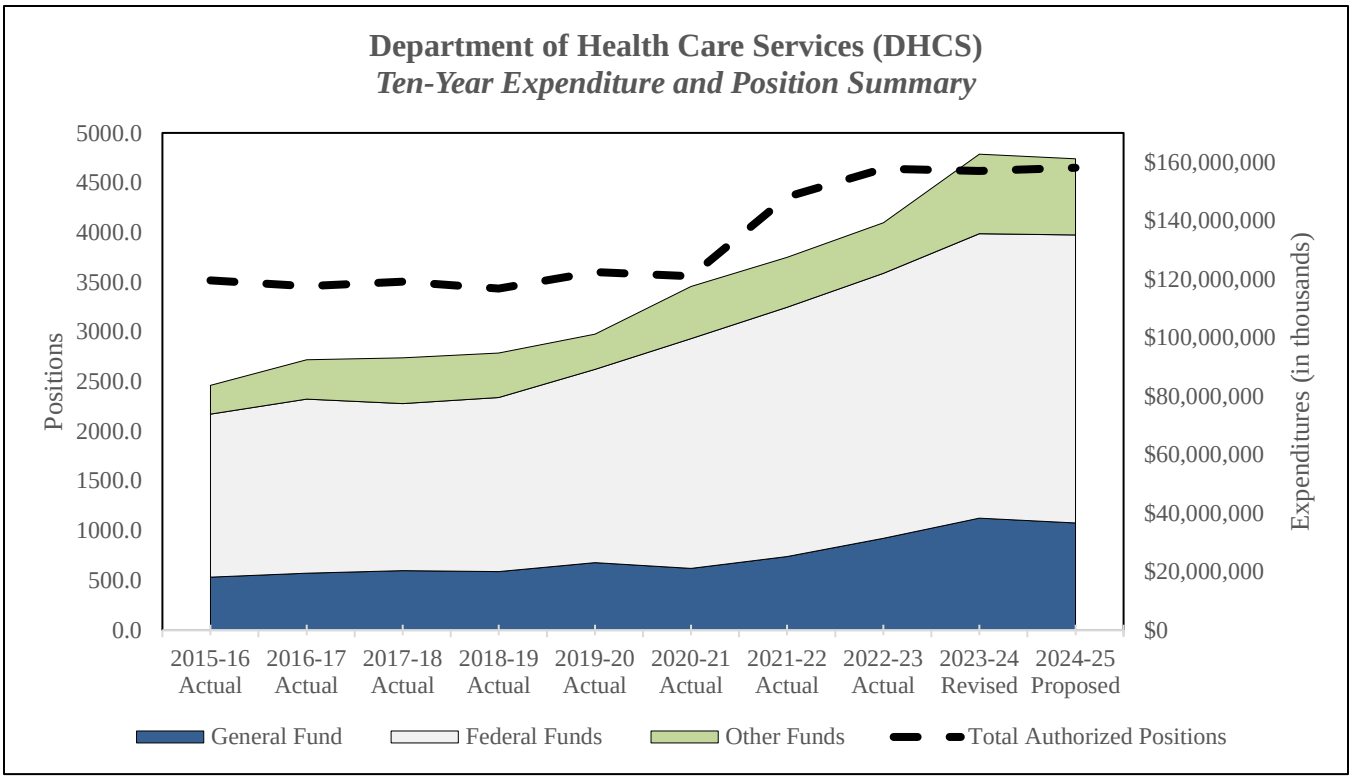
Consultant: Scott Ogus

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Overview



Department of Health Care Services - *Department Funding Summary* *(dollars in thousands)*				
Fund Source	***2022-23 Actual***	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	**$31,333,084**	**$38,265,892**	**$38,310,542**	**$36,627,052**
Federal Funds	**$90,676,953**	**$91,492,180**	**$97,201,892**	**$98,462,780**
Other Funds	**$17,234,019**	**$26,880,178**	**$27,217,614**	**$26,039,584**
Total Department Funding	**$139,244,056**	**$156,638,250**	**$162,730,048**	**$161,129,416**
Total Authorized Positions	**4640.5**	**4802.5**	**4617.5**	**4649.5**
Other Funds Detail:				
Breast Cancer Control Account (0009)	*$8,966*	*$8,142*	*$8,356*	*$8,114*
Childhood Lead Poisoning Prev Fund (0080)	*$0*	*$989*	*$989*	*$0*
DUI Program Licensing Trust Fund (0139)	*$522*	*$1,444*	*$1,462*	*$1,465*
Prop 99 - Hospital Services Acct (0232)	*$77,350*	*$70,115*	*$70,115*	*$72,477*

Prop 99 - Physician Services Acct (0233)	*$22,249*	*$19,901*	*$19,901*	*$20,693*
Prop 99 - Unallocated Acct (0236)	*$45,584*	*$44,022*	*$44,041*	*$46,290*
Narcotic Treatment Program Lic Fund (0243)	*$1,904*	*$1,903*	*$1,992*	*$2,502*
Perinatal Insurance Fund (0309)	*$27,421*	*$16,470*	*$23,379*	*$23,250*
Audit Repayment Trust Fund (0816)	*$0*	*$41*	*$41*	*$41*
Medi-Cal Inpatient Payment Adj Fund (0834)	*$133,845*	*$157,564*	*$115,193*	*$125,708*
Special Deposit Fund (0942)	*$74,369*	*$86,560*	*$65,568*	*$83,377*
Reimbursements (0995)	*$1,771,376*	*$2,005,103*	*$2,209,102*	*$2,270,873*
County Health Initiative Matching Fund (3055)	*$0*	*$174*	*$174*	*$174*
Children's Medical Services Rebate Fund (3079)	*$6,443*	*$3,700*	*$2,603*	*$2,556*
Mental Health Services Fund (3085)	*$2,858,428*	*$2,878,793*	*$2,290,660*	*$2,408,601*
Nondesignated Public Hospital Suppl Fund (3096)	*($601)*	*($152)*	*($38)*	*$5,333*
Private Hospital Supplemental Fund (3097)	*($10,088)*	*$223,717*	*$207,636*	*$73,384*
Mental Health Facility Licensing Fund (3099)	*$46*	*$373*	*$373*	*$373*
Residential and Outpatient Prog Lic Fund (3113)	*$7,846*	*$7,869*	*$8,581*	*$10,472*
Children's Health and Human Svcs Special Fund (3156)	*$297,152*	*$0*	*$175,439*	*$0*
Hospital Quality Assurance Revenue Fund (3158)	*$3,156,040*	*$5,913,927*	*$5,973,721*	*$4,209,673*
SNF Quality and Accountability Fund (3167)	*$25,967*	*$1,176*	*$1,176*	*$0*
Emergency Medical Air Transportation Fund (3168)	*$5,431*	*$8,724*	*$2,111*	*$0*
Long-Term Care Quality Assurance Fund (3213)	*$538,129*	*$471,515*	*$540,161*	*$539,546*
Healthcare Treatment Fund (3305)	*$423,167*	*$624,171*	*$768,665*	*$596,454*
Health Care Service Plan Fines/Penalties Fund (3311)	*$213*	*$12,487*	*$12,494*	*$12,495*
Medi-Cal Emergency Med Transport Fund (3323)	*$105,120*	*$57,809*	*$49,684*	*$49,433*
County Intervention Supp Svcs Subaccount LRF 2011 (3325)	*$0*	*$3,685*	*$3,685*	*$0*
Reversion Acct. Subacct., Mental Health Svcs Fund (3327)	*$2,970*	*$0*	*$0*	*$0*
Medi-Cal Drug Rebate Fund (3331)	*$2,861,652*	*$2,736,987*	*$2,872,071*	*$2,483,312*

Health Care Services Special Fund (3334)	*$2,065,534*	*$0*	*$0*	*$0*
YEPEITA - Cannabis Tax Fund (3350)	*$574,920*	*$340,425*	*$371,737*	*$341,306*
PACE Oversight Fund (3362)	*$0*	*$748*	*$0*	*$0*
Loan Repayment Acct, Healthcare Treatment Fund (3375)	*$35,223*	*$52,023*	*$55,581*	*$65,742*
Opioid Settlement Fund (3397)	*$70,948*	*$77,367*	*$81,485*	*$36,400*
California Emergency Relief Fund (3398)	*$1,014,728*	*$0*	*$10,972*	*$0*
988 State Suicide and BH Crisis Svcs Fund (3414)	*$0*	*$19,773*	*$19,773*	*$13,228*
Medi-Cal County BH Fund (3420)	*$0*	*$1,033,310*	*$971,944*	*$1,576,250*
Managed Care Enrollment Fund (3428)	*$0*	*$7,248,256*	*$7,873,000*	*$8,599,856*
Medi-Cal Provider Payment Reserve Fund (3431)	*$0*	*$1,020,956*	*$321,000*	*$1,095,167*
Global Payment Program Special Fund (8108)	*$1,009,692*	*$1,111,984*	*$1,314,355*	*$983,596*
DPH GME Special Fund (8113)	*$264,847*	*$261,308*	*$282,623*	*$281,354*
Suicide Prevention Vol Contribution Fund (8124)	*$0*	*$250*	*$250*	*$0*
Coronavirus Fiscal Recovery Fund of 2021 (8506)	*$226,281*	*$0*	*$0*	*$0*
Home- and Comm-Based Svcs ARP Fund (8507)	*($469,655)*	*$356,569*	*$445,559*	*$89*

Department of Health Care Services – *Changes to State Operations and Local Assistance*				
Fiscal Year:	**2022-23**	**2023-24 (CY)**	**2024-25 (BY)**	**CY to BY**
STATE OPERATIONS				
Fund Source	***Actual***	***Revised***	***Proposed***	***Change***
General Fund	$383,873,000	$553,313,000	$372,373,000	($180,940,000)
Federal Funds[1]	$553,737,000	$680,002,000	$579,550,000	($100,452,000)
Spec. Funds/Reimb	$537,950,000	$419,171,000	$343,937,000	($75,234,000)
Total Expenditures	**$1,475,560,000**	**$1,652,486,000**	**$1,295,860,000**	**($356,626,000)**
Total Positions	**4640.5**	**4617.5**	**4649.5**	**32.0**

LOCAL ASSISTANCE (*MEDI-CAL AND OTHER PROGRAMS)*				
Fund Source	***Actual***	***Revised***	***Proposed***	***Change***
General Fund	$30,949,211,000	$37,757,229,000	$36,254,679,000	($1,502,550,000)
Federal Funds[1]	$90,143,216,000	$96,521,890,000	$97,883,230,000	$1,361,340,000
Spec. Funds/Reimb	$16,676,069,000	$26,798,443,000	$25,695,647,000	($1,102,796,000)
Total Expenditures	**$137,768,496,000**	**$161,077,562,000**	**$159,833,556,000**	**($1,244,006,000)**
[1]*Federal Funds include Funds 0890, 7502, and 7503.*				

Background. The Department of Health Care Services' (DHCS) mission is to protect and improve the health of all Californians by operating and financing programs delivering health care services to eligible individuals. DHCS programs provide services to ensure low-income Californians have access to health care services and that those services are delivered in a cost-effective manner. DHCS programs include:

- ***Medi-Cal.*** DHCS serves as the single state agency for Medi-Cal, California's Medicaid program. Medi-Cal is a health care program for low-income and low-resource individuals and families who meet defined eligibility requirements. Medi-Cal coordinates and directs the delivery of health care services to approximately 14.4 million qualified individuals, including low-income families, seniors and persons with disabilities, children in families with low-incomes or in foster care, pregnant women, and low-income people with specific diseases. As of January 1, 2014, due to the Affordable Care Act, childless adults up to 138 percent of the federal poverty level are also eligible for services in Medi-Cal.

- ***Children's Medical Services.*** Children's Medical Services coordinates and directs the delivery of health care services to low-income and seriously ill children and adults. Its programs include the Genetically Handicapped Persons Program, California Children's Services Program, and Child Health and Disability Prevention Program.

- ***Primary and Rural Health***. Primary and Rural Health coordinates and directs the delivery of health care to Californians in rural areas and to underserved populations. Its programs include: Indian Health Program, Rural Health Services Development Program, Seasonal Agricultural and Migratory Workers Program, State Office of Rural Health, Medicare Rural Hospital Flexibility Program/Critical Access Hospital Program, Small Rural Hospital Improvement Program, and the J-1 Visa Waiver Program.

- ***Mental Health & Substance Use Disorder Services***. As adopted in the 2011 through 2013 Budget Acts, DHCS oversees the delivery of community mental health and substance use disorder services, reflecting the elimination of the Departments of Alcohol and Drug Programs and Mental Health.

- ***Other Programs*.** DHCS oversees family planning services, cancer screening services to low-income under-insured or uninsured women, and prostate cancer treatment services to low-income, uninsured men, through the Every Woman Counts Program, the Family Planning Access Care and Treatment Program, and the Prostate Cancer Treatment Program.

Legislative Oversight – Hearing Aid Coverage for Children Program (HACCP). Oversight of Prior Budget Investment – Hearing Aid Coverage for Children Program. In 2019, the Legislature approved

AB 598 (Bloom), the Let California Kids Hear Act, which would have required health care service plans and health insurers to cover hearing aids and related services for children ages zero to 17. The Newsom Administration requested the Legislature withdraw the bill from engrossing and enrolling with the promise of another solution to the problem of insufficient access to hearing aids for children in the commercial health insurance market. The 2020 Budget Act included one position and General Fund expenditure authority of $400,000 in 2020-21, $15.1 million in 2021-22, and $14.5 million annually thereafter to provide hearing aids and associated services to uninsured children up to 600 percent of the federal poverty level, beginning July 1, 2021. DHCS implemented the Hearing Aid Coverage for Children Program (HACCP), which covers children ages zero to 17 who do not have coverage for hearing aids and related services. HACCP utilizes the Medi-Cal fee-for-service delivery system, including the associated fee-for-service reimbursement rates, to provide hearing aids and related services for this population.

During budget subcommittee hearings in 2022, advocates reported that only 44 children had been enrolled in HACCP and seven had received hearing aids. The advocates reported many parents were unable to find a pediatric provider in their county that had opted into HACCP, as the limited scope of care and low reimbursement rates were a barrier to provider participation in the program. As a result, the 2022 Budget Act included General Fund expenditure authority of $10 million in 2022-23 for the program, and the Legislature adopted provisional budget bill language to clarify eligibility for the program to include children with outside health insurance coverage with a coverage limit of $1,500 or less for hearing aids.

During 2023, advocates reported similarly low participation rates in HACCP for both providers and children receiving hearing aids. The May 2023 Medi-Cal Local Assistance Estimate reported the program spent $302,830 in 2022-23 and was estimated to spend $1.5 million in 2023-24, despite the $14.5 million ongoing resources approved by the Legislature in the 2020 Budget Act. These reduced expenditures were due to a paucity of utilization of services in the program, primarily due to lack of access to providers. The November 2023 Estimate reflects an expected increase of expenditures to $2.6 million in 2024-25, which is still significantly below the originally estimated expenditure need for a program that provides services to a meaningful proportion of this population of deaf and hard of hearing children. The November 2023 Estimate also includes General Fund expenditure authority of $4 million in 2023-24 and $3.7 million in 2024-25 for administration of the program, which is significantly higher than the cost of services actually delivered to children.

The Legislature, recognizing the failure of HACCP to improve access to hearing aids for deaf and hard of hearing children, approved SB 635 (Menjivar), which would have implemented a hearing aid and related coverage mandate in the commercial market, similar to the original provisions of AB 598 in 2019. Governor Newsom vetoed SB 635, and the Governor's veto message included the following commitments:

"[I]mproving access to hearing aids for children is a priority for my Administration. We can, and we must, do better for these children and their families as we implement HACCP. To this end, I am directing my Administration to explore increases to Medi-Cal provider payments with the goal of incentivizing additional provider participation in HACCP, increasing access for youth in need of hearing aids.

In addition, DHCS has developed a comprehensive plan to increase provider participation and program enrollment. These improvements will enable HACCP to reach and serve more children, which is our shared goal.

Specifically, in the next six months, DHCS will take a variety of steps to help patients maximize benefits, including: (1) partnering with other state entities to promote participation and awareness of HACCP, (2) completing translations for HACCP related materials into 18 languages, (3) implementing a streamlined annual eligibility renewal process to simplify provider enrollment, (4) conducting outreach to Medi-Cal providers not yet participating in HACCP to support their participation, (5) hosting quarterly webinars with providers and stakeholders, and (6) continuing to identify potential service improvements and strategies to increase program success."

In addition to these commitments, the Administration's proposed reimbursement rate increases related to the managed care organization (MCO) tax includes increased reimbursement to audiologists participating in HACCP. These proposed reimbursement rate increases are currently pending before the Legislature.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of DHCS programs and budget.

2. Please provide the following information regarding the HACCP:

    a. Number of children that have received hearing aids by fiscal year through HACCP.
    b. How reimbursement rates for hearing aids and related services compare to both the fee-for-service delivery system, and the California Children's Services program.
    c. How many additional providers have enrolled in HACCP in 2023-24.

3. Please describe the components of the DHCS HACCP Action Plan, particularly those included in the addendum that was prompted by the Governor's SB 635 veto message.

4. The November 2023 Medi-Cal Estimate assumes the increase in HACCP expenditures is due to enrollment ramp-up. How many additional children is DHCS expecting to enroll in HACCP in 2024-25? How many additional providers?

5. Are Kaiser providers enrolled to provide services in the HACCP? If not, what are the barriers to Kaiser participation in HACCP and what is DHCS doing to mitigate those barriers and ensure Kaiser participates?

6. Has DHCS conducted a geographic analysis of participating HACCP providers to determine whether the population of children in need of HACCP services is within a reasonable distance of a provider?

7. If the Legislature approves the MCO tax targeted rate increase proposal related to audiologists, how would the overall reimbursement through HACCP compare to other programs, like CCS, or to commercial insurance? Which codes would be impacted?

Issue 2: November 2023 Medi-Cal Local Assistance Estimate

Local Assistance Estimate – Governor's Budget. The November 2023 Medi-Cal Local Assistance Estimate includes $157.5 billion ($37.3 billion General Fund, $95.8 billion federal funds, and $24.4 billion special funds and reimbursements) for expenditures in 2023-24, and $156.6 billion ($35.9 billion General Fund, $97.6 billion federal funds, and $23.2 billion special funds and reimbursements) for expenditures in 2024-25.

Medi-Cal Local Assistance Funding Summary			
Fiscal Year:	**2023-24 (CY)**	**2024-25 (BY)**	**CY to BY**
Benefits			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$35,625,728,000	$34,348,774,000	($1,276,954,000)
Federal Funds	$90,205,377,000	$92,313,489,000	$2,108,112,000
Special Funds/Reimbursements	$24,271,407,000	$23,099,536,000	($1,171,871,000)
Total Expenditures	**$150,102,512,000**	**$149,761,799,000**	**($340,713,000)**
County Administration			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$1,547,873,000	$1,400,413,000	($147,460,000)
Federal Funds	$5,127,437,000	$4,859,255,000	($268,182,000)
Special Funds and Reimbursements	$137,683,000	$69,323,000	($68,360,000)
Total Expenditures	**$6,812,993,000**	**$6,328,991,000**	**($484,002,000)**
Fiscal Intermediary			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$157,428,000	$164,008,000	$6,580,000
Federal Funds	$418,906,000	$383,408,000	($35,498,000)
Special Funds and Reimbursements	$33,000	$11,000	($22,000)
Total Expenditures	**$576,367,000**	**$547,427,000**	**($28,940,000)**
TOTAL MEDI-CAL LOCAL ASSISTANCE EXPENDITURES			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$37,331,029,000	$35,913,195,000	($1,417,834,000)
Federal Funds	$95,751,720,000	$97,556,152,000	$1,804,432,000
Special Funds and Reimbursements	$24,409,123,000	$23,168,870,000	($1,240,253,000)
Total Expenditures	**$157,491,872,000**	**$156,638,217,000**	**($853,655,000)**

Caseload. In 2023-24, the budget assumes annual Medi-Cal caseload of 14.8 million, an increase of 582,900 beneficiaries, or 4.1 percent, compared to assumptions in the 2023 Budget Act. The department estimates 92.6 percent of Medi-Cal beneficiaries, or 13.7 million, will receive services through the managed care delivery system while 7.4 percent, or 1.1 million, will receive services through the fee-for-service delivery system.

In 2024-25, the budget assumes annual Medi-Cal caseload of 13.8 million, a decrease of one million beneficiaries, or 6.8 percent, compared to the revised caseload estimate for 2023-24. The department estimates 95.1 percent of Medi-Cal beneficiaries, or 13.1 million, will receive services through the managed care delivery system while 4.9 percent, or 672,381, will receive services through the fee-for-service delivery system.

Significant General Fund Adjustments. The November 2023 Medi-Cal Local Assistance Estimate includes the following significant adjustments to General Fund expenditures:

Current Year (2023-24) Savings – The Estimate includes total expenditures of $157.5 billion ($37.3 billion General Fund, $95.8 billion federal funds, and $24.4 billion special funds and reimbursements) for the Medi-Cal program in 2023-24, a 0.5 percent decrease in General Fund expenditures compared to the assumptions included in the 2023 Budget Act. According to DHCS, the primary drivers of these decreased General Fund expenditures are as follows:

- *Managed Care Organization (MCO) Tax*. $738.3 million General Fund savings from changes to assumptions for impacts from the MCO tax including accounting for the impact of changes to COVID-19 federal matching funds and updating the timing of revenue collections relative to costs to managed care plans.
- *Proposition 56 Provider Payments*. $184.7 million General Fund savings from updated estimates of the need to replace declining Proposition 56 tobacco tax revenue with General Fund to continue supplemental Medi-Cal provider payments.
- *Prescription Drug Rebates*. $135.1 million General Fund savings due to transfers from the Medi-Cal Drug Rebate Fund to support the General Fund.
- *Impacts of Federal Deferrals*. $102.2 million General Fund savings due to updated estimates of deferral repayment and resolution assumptions from the federal Centers for Medicare and Medicaid Services (CMS).
- *Shift of Timing of Payments*. $70.8 million General Fund savings that is the net result in the following shifts of payments from 2022-23 into 2023-24: 1) $115 million repayment to CMS related to in-home supportive services from the Coordinated Care Initiative, and 2) $185.8 million transfer from the previous MCO tax to the General Fund.
- *Designated State Health Programs*. $56.1 million General Fund savings due to federal assistance provided through the state's 1115 Demonstration Waiver for Designated State Health Programs shifting from 2022-23 to 2023-24, as well as claiming an additional quarter of claims for the new California Reproductive Health Access Demonstration (CalRHAD).
- *Various Other Changes*. $37.1 million General Fund savings for various other changes to the Medi-Cal program.

These savings are partially offset by the following increases in General Fund costs:

- *Medi-Cal Redeterminations*. $499 million General Fund costs from updated assumptions related to redeterminations of eligibility for Medi-Cal after the end of the COVID-19 public health emergency's continuous coverage requirement.
- *Federal Repayment for State-Only Populations*. $481.5 million General Fund costs due to differences in the final repayment amounts owed to the federal Centers for Medicare and Medicaid Services for federal matching funds paid for populations in state-only programs.
- *Changes in Multi-Year Expenditures*. $70.4 million General Fund costs due to changes in spending levels for programs implemented over multiple years, including Behavioral Health Bridge Housing, the Behavioral Health Continuum Infrastructure Program, Providing Access and Transforming Health, the Children and Youth Behavioral Health Initiative, and the California Advancing and Innovating Medi-Cal Initiative.
- *Respiratory Syncytial Virus (RSV) Vaccines*. $61.4 million General Fund costs due to administration of the recently approved vaccine for RSV for Medi-Cal beneficiaries.
- *COVID-19 Vaccines*. $16.4 million General Fund costs due to decreased federal support and federal matching funds for the purchase and administration of COVID-19 vaccines.

Budget Year (2024-25) Adjustments – The Estimate includes total expenditures of $156.6 billion ($35.9 billion General Fund, $97.6 billion federal funds, and $23.2 billion special funds and reimbursements) for the Medi-Cal program in 2024-25, a 3.8 percent decrease compared to the revised General Fund expenditure assumptions for 2023-24. According to DHCS, the primary drivers of these increased General Fund expenditures are as follows:

- *Expiration of One-Time Expenditures*. $4 billion General Fund savings due to one-time expenditures not continuing in 2024-25 including: state-only claiming, CalAIM Behavioral Health Payment Reform, reconciliations for the Coordinated Care Initiative, support for Los Angeles County for justice-involved populations, various legislative priorities, temporary expansion of county eligibility funding, and start-up funding for the CARE Act.
- *Medi-Cal Redeterminations*. $2.3 billion General Fund savings from updated assumptions related to redeterminations of eligibility for Medi-Cal after the end of the COVID-19 public health emergency's continuous coverage requirement.
- *Changes in Multi-Year Expenditures*. $692.9 million General Fund savings due to changes in spending levels for programs implemented over multiple years, including Behavioral Health Bridge Housing, the Behavioral Health Continuum Infrastructure Program, Providing Access and Transforming Health, the Children and Youth Behavioral Health Initiative, and the California Advancing and Innovating Medi-Cal Initiative.
- *Managed Care Organization (MCO) Tax*. $502.9 million General Fund savings from changes to assumptions for impacts from the MCO tax including accounting for the impact of changes to COVID-19 federal matching funds and updating the timing of revenue collections relative to costs to managed care plans.
- *Delay of Behavioral Health Bridge Housing*. $235 million General Fund savings from a proposed delay of the final round of Behavioral Health Bridge Housing grants from 2024-25 until 2025-26
- *Delay of Behavioral Health Continuum Infrastructure Program*. $140.4 million General Fund savings from a proposed delay of Behavioral Health Continuum Infrastructure Program grants from 2024-25 until 2025-26.

These savings are partially offset by the following increases in General Fund costs:

- *Expansion of Medi-Cal Regardless of Immigration Status*. $1.6 billion General Fund costs due to the full-year impact of implementation of the Medi-Cal expansion to all income-eligible individuals age 26 to 49, regardless of immigration status.
- *Base Managed Care Costs*. $886.3 million General Fund costs due to increases in base capitation payments to Medi-Cal managed care plans to support health care services for Medi-Cal beneficiaries.
- *Phase-out of COVID-19 Enhanced Federal Match*. $750.1 million General Fund costs due to the phase-out of the enhanced federal match made available during the COVID-19 public health emergency.
- *Impacts of Federal Deferrals*. $706.5 million General Fund costs due to updated estimates of deferral repayment and resolution assumptions from the federal Centers for Medicare and Medicaid Services (CMS).
- *Hospital Quality Assurance Fee Program*. $702.9 million General Fund costs due to one-time repayment of postponed payments for children's health care coverage under the Hospital Quality Assurance Fee Program.
- *Growth in Medicare Costs*. $461.1 million General Fund costs related to growth in costs of Medicare coverage for Medi-Cal beneficiaries enrolled in both Medicare and Medi-Cal, as well as other Medicare-related costs.
- *Prescription Drug Rebates*. $388.8 million General Fund costs due to lower than expected savings from prescription drug rebates in the Medi-Cal program, and the depletion of the Medi-Cal Drug Rebate Fund reserves for 2023-24.
- *Behavioral Health Bridge Housing Funding Shift*. $265 million General Fund costs due to shifting existing support for Behavioral Health Bridge Housing from the Mental Health Services Fund (MHSF) to the General Fund due to shortfalls in estimated MHSF revenue.
- *Assisted Living Waiver Expansion*. $141.9 million General Fund costs due to ongoing support for expansion of the Assisted Living Waiver, which had previously been supported by the federal Home- and Community-Based Services Spending Plan.
- *Proposition 56 Provider Payments*. $123.1 million General Fund costs from updated estimates of the need to replace declining Proposition 56 tobacco tax revenue with General Fund to continue supplemental Medi-Cal provider payments.
- *Base Fee-for-Service Costs*. $121.7 million General Fund costs due growth in fee-for-service costs for health care services provided to Medi-Cal beneficiaries, particularly increases in costs for pharmacy.
- *Reproductive Health Waiver*. $100 million General Fund costs related to the implementation of the California Reproductive Health Access Demonstration (CalRHAD).
- *Community Assistance, Recovery, and Empowerment (CARE) Act*. $65.3 million General Fund costs related to implementation of the Community Assistance, Recovery, and Empowerment (CARE) Act.
- *Elimination of Asset Limit*. $47.2 million General Fund costs related to the elimination of the asset limit for determination of eligibility for the Medi-Cal Aged and Disabled Program.
- *COVID-19 Vaccines*. $42.2 million General Fund costs due to decreased federal support and federal matching funds for the purchase and administration of COVID-19 vaccines.
- *Respiratory Syncytial Virus (RSV) Vaccines*. $34.1 million General Fund costs due to administration of the recently approved vaccine for RSV for Medi-Cal beneficiaries.
- *Designated State Health Programs*. $19.2 million General Fund costs due to claiming of one fewer quarter for the CalRHAD demonstration as a designated state health program.

- *Various Other Changes*. $19.4 million General Fund costs for various other changes to the Medi-Cal program.

Subcommittee Staff Comment and Recommendation—Hold Open. It is recommended to hold this issue open as updated estimates of caseload and expenditures will be provided at the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant General Fund changes in the Medi-Cal program in the 2023-24 and 2024-25 fiscal years.

Issue 3: November 2023 Family Health Local Assistance Estimate

Local Assistance Estimate – Governor's Budget. The November 2023 Family Health Local Assistance Estimate includes $247.2 million ($215.3 million General Fund, $5.2 million federal funds, and $26.7 million special funds and reimbursements) for expenditures in 2023-24, and $250.9 million ($218.9 million General Fund, $5.5 million federal funds, and $26.5 million special funds and reimbursements) for expenditures in 2024-25.

Family Health Local Assistance Funding Summary			
Fiscal Year:	**2023-24 (CY)**	**2024-25 (BY)**	**CY to BY**
California Children's Services (CCS)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$83,876,000	$92,633,000	$8,757,000
Special Funds/Reimbursements	$6,522,000	$6,508,000	($14,000)
County Funds [non-add]	[$87,437,000]	[$96,181,000]	[$8,744,000]
Total CCS Expenditures	**$90,398,000**	**$99,141,000**	**$8,743,000**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$125,762,000	$120,742,000	($5,020,000)
Special Funds and Reimbursements	$453,000	$529,000	$76,000
Total GHPP Expenditures	**$126,215,000**	**$121,271,000**	**($4,944,000)**
Every Woman Counts Program (EWC)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$5,639,000	$5,554,000	($85,000)
Federal Funds	$5,212,000	$5,468,000	$256,000
Special Funds and Reimbursements	$19,699,000	$19,443,000	($256,000)
Total EWC Expenditures	**$30,550,000**	**$30,465,000**	**($85,000)**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$215,277,000	$218,929,000	$3,652,000
Federal Funds	$5,212,000	$5,468,000	$256,000
Special Funds and Reimbursements	$26,674,000	$26,480,000	($194,000)
County Funds [non-add]	[$87,437,000]	[$96,181,000]	[$8,744,000]
Total Family Health Expenditures	**$247,163,000**	**$250,877,000**	**$3,714 ,000**

Background. The Family Health Estimate forecasts the current and budget year local assistance expenditures for three state-only funded programs that provide services for low-income children and adults with special health care needs who do not qualify for enrollment in the Medi-Cal program.

The programs included in the Family Health Estimate are:

- **California Children's Services (CCS)**: The CCS program, established in 1927, is one of the oldest public health care programs in the nation and is administered in partnership with county health departments. The CCS state-only program provides health care services to children up to age 21 who have a CCS-eligible condition such as: cystic fibrosis, hemophilia, cerebral palsy, heart disease, cancer or traumatic injury; and either do not qualify for full-scope Medi-Cal or whose families cannot afford the catastrophic health care costs for the child's care. CCS costs for Medi-Cal eligible children are reflected in the Medi-Cal Local Assistance Estimate.
  Caseload Estimate (Medi-Cal): The budget estimates Medi-Cal CCS caseload of 183,956 in 2023-24, a decrease of 4,565 or 2.4 percent, compared to the 2023 Budget Act. The budget estimates Medi-Cal CCS caseload of 173,299 in 2024-25, a decrease of 10,657 or 5.8 percent, compared to the revised 2023-24 estimate.
  Caseload Estimate (State-Only): The budget estimates state-only CCS caseload of 11,978 in 2023-24, a decrease of 156 or 1.3 percent, compared to the 2023 Budget Act. The budget estimates state-only CCS caseload of 14,142 in 2024-25, an increase of 2,164 or 18.1 percent compared to the revised 2023-24 estimate.
- **Genetically Handicapped Persons Program (GHPP):** The GHPP program, established in 1975, provides medically necessary services and administrative case management for individuals age 21 and over with a GHPP-eligible condition such as cystic fibrosis, hemophilia, sickle cell, Huntington's, or metabolic diseases. The GHPP state-only program is for those individuals who do not qualify for full-scope Medi-Cal. GHPP costs for Medi-Cal eligible individuals are reflected in the Medi-Cal Local Assistance Estimate
  Caseload Estimate (Medi-Cal): The budget estimates Medi-Cal GHPP caseload of 939 in 2023-24, an increase of 3 or 0.3 percent, compared to the 2023 Budget Act. The budget estimates Medi-Cal GHPP caseload of 958 in 2024-25, an increase of 19 or two percent, compared to the revised 2023-24 estimate.
  Caseload Estimate (State-Only): The budget estimates state-only GHPP caseload of 676 in 2023-24, an increase of two or 0.3 percent, compared to the 2023 Budget Act. The budget estimates state-only GHPP caseload of 675 in 2023-24, a decrease of one or 0.1 percent, compared to the revised 2023-24 estimate.
- **Every Woman Counts (EWC) Program:** The EWC program provides free breast and cervical cancer screening and diagnostic services to uninsured and underinsured women who do not qualify for Medi-Cal. Women diagnosed with breast or cervical cancer may be referred to the Breast and Cervical Cancer Treatment Program (BCCTP).
  Caseload Estimate: The budget estimates EWC caseload of 17,683 in 2023-24, a decrease of 2,878 or 14 percent, compared to the 2023 Budget Act. The budget estimates EWC caseload of 17,868 in 2024-25, an increase of 185 or one percent compared to the revised 2023-24 estimate.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant changes in Family Health Estimate programs in the 2023-24 and 2024-25 fiscal years.

2. Please provide a status update of the transition plan for the Child Health and Disability Program (CHDP)?

Issue 4: CalAIM Enhanced Care Management and Community Supports

Legislative Oversight and Panel Discussion – CalAIM Enhanced Care Management and Community Supports. The subcommittee would like to explore the implementation of the California Advancing and Innovating Medical (CalAIM) Enhanced Care Management (ECM) benefit and community supports services. In particular, the subcommittee would like to examine how Medi-Cal beneficiaries are determined eligible for the ECM benefit and community supports services. In addition, the subcommittee would like to discuss how DHCS and Medi-Cal managed care plans conduct outreach to providers and consumers to ensure both are aware of the ECM benefit and community supports services available under CalAIM.

CalAIM – A Whole Person-Centered Transformation of the Medi-Cal Program. The California Advancing and Innovating Medi-Cal (CalAIM) initiative is an ambitious effort to incorporate evidence-based and evidence-informed investments in prevention, case management, and non-traditional services into the Medi-Cal program. Many of these investments were piloted during the state's previous 1115 Waiver, Medi-Cal 2020, and CalAIM incorporates many of these programs into existing Medi-Cal delivery systems on a more consistent, statewide basis. CalAIM also seeks to reform payment structures for Medi-Cal managed care plans and county behavioral health programs to streamline rate-setting and to reduce documentation and auditing workload for plans and their network providers. Other components of CalAIM include changes to populations and services that would be delivered in the fee-for-service or managed care system, continuation of certain dental services piloted in the Dental Transformation Initiative, statewide incorporation of long-term services and supports as a mandatory managed care benefit, seeking a federal waiver to allow Medi-Cal services to be provided in an Institute for Mental Disease (IMD), and testing full integration of physical, behavioral, and oral health service delivery under a single contracted entity.

CalAIM represents a significant transformation of the health care delivery systems that provide physical health, behavioral health, and oral health care services to Medi-Cal beneficiaries. However, CalAIM also represents an opportunity to build into the foundations of the Medi-Cal program an incentive structure that achieves a healthier Medi-Cal population with a comprehensive, whole-person approach that addresses the social determinants of health and avoids cross-cutting impacts and cost shifts to other state or local social service and public safety agencies. While CalAIM contains the broad outlines of building such a foundation, the Legislature continues to work with the Administration to carefully evaluate the implementation of each component of CalAIM to ensure these program changes are consistent with the values of a publicly-supported health care program.

Recent Budget Investments and Trailer Bill to Support CalAIM Implementation. During the fall of 2019, the Newsom Administration released its comprehensive proposal to transform the delivery system of physical, behavioral, and oral health care services in the Medi-Cal program, which would ultimately become known as CalAIM. Due to the pandemic, the Administration delayed implementation of CalAIM in the 2020-21 fiscal year. The Administration returned to its implementation planning for CalAIM in the 2021 Budget Act, which included 69 positions and expenditure authority of $1.6 billion ($675.7 million General Fund and $954.7 million federal funds). The Legislature also approved trailer bill language to authorize implementation of CalAIM in the health omnibus, AB 133 (Committee on Budget), Chapter 143, Statutes of 2021. (*Codified in Article 5.51, commencing with Section 14184.100, of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code*)

The 2022 Budget Act included expenditure authority of $1.1 billion ($458.6 million General Fund, $624.9 million federal funds, and $60.4 million special funds and reimbursements) in 2021-22 and $3.1 billion ($1.2 billion General Fund, $1.8 billion federal funds, and $100.2 million special funds and reimbursements) in 2022-23, and the Legislature approved additional trailer bill language, to support implementation of the CalAIM initiative. The 2022 Budget Act also included state operations resources of 97 positions and expenditure authority of $107.8 million ($53.9 million General Fund and $53.9 million federal funds) to support state operations for the implementation of the components of the CalAIM initiative.

CalAIM Implemented Through New Federal Waiver Authority. CalAIM transitions many of Medi-Cal's existing programs into managed care benefits under a new 1915(b) Waiver, maintains some programs under the previous 1115 Waiver authority, and makes other changes through amendments to the Medicaid State Plan. The federal Centers for Medicare and Medicaid Services (CMS) approved California's 1115 Waiver and 1915(b) Waiver applications implementing CalAIM reforms on December 29, 2021. Both Waivers are approved until December 31, 2026. While the managed care authorities provided by the two Waivers are similar, there are key differences. For example, while 1115 Waivers require budget neutrality (federal expenditures must not be greater under the Waiver than they would have been without the Waiver), 1915(b) Waivers only require the demonstration of cost effectiveness and efficiency (actual expenditures cannot exceed projected expenditures)[1]. This distinction allows for the provision of certain non-traditional community supports services that would previously have been required to undergo a more difficult accounting of savings to the state and federal governments.

Enhanced Care Management. The Governor's January budget includes expenditure authority of $992.4 million ($374.4 million General Fund and $618 million federal funds) in 2023-24 and $1 billion ($393.1 million General Fund and $648.9 million federal funds) in 2024-25 to support the new enhanced care management benefit, implemented beginning on January 1, 2022. Under its previous 1115 Waiver authority, Medi-Cal 2020, DHCS implemented Whole Person Care pilot programs to coordinate health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources. The 25 approved WPC pilots targeted services to individuals with chronic conditions, with behavioral health needs, experiencing or at-risk of homelessness, or who are justice-involved. The pilots provided eight categories of service to these individuals, including: 1) outreach, 2) care coordination, 3) housing support, 4) peer support, 5) benefit support, 6) employment assistance, 7) sobering centers, and 8) medical respite.

Beginning January 1, 2022, CalAIM expanded the Whole Person Care delivery concept statewide through implementation of a mandatory enhanced care management (ECM) benefit and voluntary community supports benefits delivered by Medi-Cal managed care plans in each county. ECM is a whole-person, interdisciplinary approach to care that addresses the clinical and non-clinical needs of Medi-Cal beneficiaries with the most complex medical and social needs through systematic coordination of services and comprehensive care management that is community-based, interdisciplinary, high touch, and person-centered. Medi-Cal beneficiaries are eligible for ECM if they are included in one of the following populations of focus:

[1] MACPAC. "Features of federal Medicaid managed care authorities". January 2016.

- *Individuals and Families Experiencing Homelessness.* (1) Adult individuals who are experiencing homelessness and have at least one complex physical, behavioral, or developmental health need with inability to successfully self-manage, for whom coordination of services would likely result in improved health outcomes or decreased utilization of high-cost services; or (2) children, youth, and families with members under 21 years of age who are experiencing homelessness, sharing the housing of other persons, or living in other short-term housing or a hospital without a safe place to be discharged.
- *Individuals at Risk for Avoidable Hospitalization or Emergency Department Utilization.* (1) Adults with five or more avoidable emergency department visits, or three or more unplanned hospital or short-term skilled nursing facility stays in a six month period; or (2) children and youth with three or more avoidable emergency department visits, or two or more unplanned hospital or short-term skilled nursing facility stays in a 12 month period.
- *Individuals with Serious Mental Illness or Substance Use Disorder Needs.* (1) Adults with serious mental illness (SMI) or substance use disorders (SUD) eligible for specialty mental health services or the Drug Medi-Cal program, with at least one complex social factor influencing their health (e.g. food, housing, or economic insecurity; history of Adverse Childhood Experiences, former foster youth, justice-involvement), and are at high risk for institutionalization, overdose and/or suicide; use crisis services, emergency departments, urgent care, or inpatient stays as the primary source of care; experienced two or more emergency department or hospital visits due to SMI or SUD in the past 12 months; or are pregnant or post-partum; or (2) any children and youth eligible for specialty mental health services or the Drug Medi-Cal program.
- *Individuals Transitioning From Incarceration.* (1) Adults transitioning or transitioned from a correctional facility within the past 12 months with at least one of the following conditions: mental illness, SUD, chronic or significant clinical condition, intellectual or developmental disability, traumatic brain injury, human immunodeficiency virus (HIV), pregnant or postpartum; or (2) children and youth transitioning or transitioned from a youth correctional facility within the past 12 months.
- *Individuals at Risk for Long-Term Care Institutionalization.* Adults living in the community who meet skilled nursing facility level of care criteria or require lower-acuity skilled nursing; are actively experiencing at least one complex social or environmental factor influencing their health; and are able to reside continuously in the community with wraparound supports.
- *Nursing Facility Residents Seeking Community Transition.* Adults residing in nursing facilities who desire to transition back to the community, are likely to make a successful transition, and able to reside continuously in the community.

ECM requires Medi-Cal managed care plans and their contracted ECM providers to deliver the following core services:

- *Outreach and Engagement.* Medi-Cal managed care plans are required to develop comprehensive outreach policies and procedures that can include, but are not limited to:
  - Attempting to locate, contact, and engage Medi-Cal beneficiaries who have been identified as good candidates to receive ECM services, promptly after assignment to the plan.
  - Using multiple strategies for engagement including in-person meetings, mail, email, texts, telephone, community and street-level outreach, follow-up if presenting to another partner in the ECM network, or using claims data to contact other providers the beneficiary is known to use.
  - Using an active and progressive approach to outreach and engagement until the beneficiary is engaged.

  - Documenting outreach and engagement attempts and modalities.
  - Utilizing educational materials and scripts developed for outreach and engagement.
  - Sharing information between the managed care plan and ECM providers to assess beneficiaries for other programs if they cannot be reached or decline ECM.
  - Providing culturally and linguistically appropriate communications and information to engage members.
- *Comprehensive Assessment and Care Management Plan.* Medi-Cal managed care plans must conduct a comprehensive assessment and develop a comprehensive, individualized, person-centered care plan with beneficiaries, family members, other support persons, and clinical input. The plan must incorporate identified needs and strategies to address those needs, such as physical and developmental health care, mental health care, dementia care, SUD services, long-term services and supports (LTSS), oral health services, palliative care, necessary community-based and social services, and housing.
- *Enhanced Coordination of Care.* Enhanced coordination of care includes coordination of the services necessary to implement the care plan. This coordination could include:
  - Organizing patient care activities in the care management plan
  - Sharing information with the care team and family members or support persons.
  - Maintaining regular contact with providers, including case conferences
  - Ensuring continuous and integrated care, with follow-up with primary care, physical and developmental health care, mental health care, SUD treatment, LTSS, oral health care, palliative care, necessary community-based and social services, and housing.
- *Health Promotion.* Medi-Cal managed care plans must provide services to encourage and support lifestyle choices based on healthy behavior, such as: identifying and building on successes and support networks, coaching, strengthening skills to enable identification and access to resources to assist in managing or preventing chronic conditions, smoking cessation or other self-help recovery resources, and other evidence-based practices to help beneficiaries with management of care.
- *Comprehensive Transitional Care.* Medi-Cal managed care plans must provide services to facilitate transitions from and among treatment facilities, including developing strategies to avoid admissions and readmissions, planning timely scheduling of follow-up appointments, arranging transportation for transitional care, and addressing understanding of rehabilitation and self-management activities and medication management.
- *Member and Family Supports.* Medi-Cal managed care plans must ensure the beneficiary and family or support persons are knowledgeable about the beneficiary's conditions, including documentation and authorization for communications, providing a primary point of contact for the beneficiary and family or support persons, providing for appropriate education of the beneficiary and family or support persons, and ensuring the beneficiary has a copy of the care plan and how to request updates.
- *Coordination of and Referral to Community and Social Support Services.* Medi-Cal managed care plans must ensure any present or emerging social factors can be identified and properly addressed, including determining appropriate services to meet needs such as housing or other community supports services, and coordinating and referring beneficiaries to available community resources and following up to ensure services were provided.

The ECM phase-in schedule was based on which counties implemented Home Health Programs and Whole Person Care pilots under the 1115 Waiver, and for certain populations of focus. As of July 1, 2023, all counties must provide ECM services to all populations of focus.

Community Supports. The Governor's January budget includes expenditure authority of $237 million ($74.4 million General Fund and $162.6 million federal funds) in 2023-24 and $248.8 million ($78.1 million General Fund and $170.7 million federal funds) in 2024-25 to support implementation of community supports services. Community supports are services or service settings that Medi-Cal managed care plans may offer as a medically appropriate, cost-effective alternative to Medi-Cal eligible services or settings. Provision of community supports is voluntary for Medi-Cal managed care plans to provide and voluntary for Medi-Cal beneficiaries to receive. Plans may change their election of which community supports they provide every six months. The community supports plans may provide include the following:

- Housing Transition Navigation Services – These services assist beneficiaries with obtaining housing and include assessing a beneficiary's housing needs, developing a housing support plan, navigating housing options and applications, assisting with advocacy and securing available income and housing subsidy resources, assisting with reasonable accommodation and move-in readiness, and coordinating necessary environmental modifications.
- Housing Deposits – These services assist beneficiaries with securing or funding one-time housing services that do not constitute room and board including security deposits, setup fees or deposits for utilities or other services, first month coverage of utilities, first and last month's rent if required for occupancy, health and safety services such as pest eradication or cleaning upon moving in, and medically necessary adaptive aids and services such as air conditioners or air filters.
- Housing Tenancy and Sustaining Services – These services assist beneficiaries in maintaining safe and stable tenancy after housing is secured including early identification and intervention for behaviors that may jeopardize housing, education and training on rights and responsibilities of tenants and landlords, coordination and assistance to maintain relationships with landlords and resolve disputes, advocacy and linkage to community resources to prevent eviction, health and safety visits, unit habitability inspections, and training for independent living and life skills.
- Short-Term Post-Hospitalization Housing – These services may include supported housing in an individual or shared interim housing setting and are designed to assist beneficiaries who are homeless and who have high medical or behavioral health needs with the opportunity to continue their recovery immediately after exiting an inpatient hospital, substance abuse or mental health treatment facility, custody facility, or recuperative care.
- Recuperative Care (Medical Respite) – These services provide short-term residential care for beneficiaries who no longer require hospitalization, but still need to heal from an injury or illness and whose condition would be exacerbated by an unstable living environment. At a minimum, the service would include interim housing with a bed and meals with ongoing monitoring of the beneficiary's condition. The service may also include limited or short-term assistance with activities of daily living, coordination of transportation to post-discharge appointments, connection to other necessary health and human services benefits or housing, or stabilizing case management relationships and programs.
- Caregiver Respite – These services provide relief to caregivers of beneficiaries who require intermittent temporary supervision and may be provided by the hour on an episodic basis, by the day or overnight, or include services that attend to the beneficiary's basic self-help needs or other activities of daily living.
- Day Habilitation Programs – These services assist beneficiaries in acquiring, retaining, and improving self-help, socialization, and adaptive skills necessary to reside successfully in the beneficiary's natural environment. These services may include training or assistance with the use of public transportation, personal skills development in conflict resolution, community participation, developing and

maintaining interpersonal relationships, daily living skills, community resource awareness (e.g. police, fire, other local services), selecting and moving into a home, locating and choosing suitable housemates, locating household furnishings, settling disputes with landlords, managing personal financial affairs, managing needs for personal attendants, dealing with and responding to governmental agencies and personnel, asserting rights through self-advocacy, and coordinating health and human services benefits.

- Nursing Facility Transition/Diversion to Assisted Living Facilities – These services assist beneficiaries to live in the community or avoid institutionalization by transitioning to a Residential Care Facility for Elderly and Adult (RCFE) or Adult Residential Facility (ARF). These services, which do not include room and board, may include assessing housing needs and presenting options, assessing onsite service needs at the RCFE or ARF, assisting in securing a residence, communicating with facility administration and coordinating the move, establishing procedures and contacts to maintain housing placement, and coordinating with enhanced care management or other in-lieu-of services necessary for stable housing.
- Nursing Facility Transition to a Home – These services assist beneficiaries to live in the community and avoid institutionalization by transitioning to a private residence. These services, which do not include room and board, may include assessing housing needs and presenting options, assisting in securing housing, communicating with landlords and coordinating the move, establishing procedures and contacts to maintain housing placement, and coordinating with enhanced care management or other ILOS necessary for stable housing.
- Personal Care and Homemaker Services – These services assist beneficiaries with activities of daily living such as bathing, dressing, toileting, ambulation, or feeding. These services also assist beneficiaries with instrumental activities of daily living such as meal preparation, grocery shopping and money management. These services are provided in addition to any approved In-Home Supportive Services (IHSS) benefits approved by the county or during any IHSS waiting period.
- Environmental Accessibility Adaptations (Home Modifications) – These services provide physical adaptations to a home that are necessary to ensure the health, welfare, and safety of a beneficiary, or enable the beneficiary to function with greater independence in the home. Adaptations may include installation of ramps and grab-bars, doorway widening for beneficiaries who require a wheelchair, installation of stair lifts, bathroom or shower accessibility, installation of specialized electric or plumbing systems to accommodate medical equipment or supplies, installation and testing of a Personal Emergency Response System for beneficiaries who are alone for significant parts of the day without a caregiver and otherwise require routine supervision.
- Medically-Supportive Food/Meals/Medically Tailored Meals – These services help beneficiaries achieve nutrition goals at critical times to help them regain and maintain their health and may include meals delivered to the home immediately following discharge from a hospital or nursing facility, or medically-tailored meals provided to the beneficiary at home to meet the unique dietary needs of a chronic condition.
- Sobering Centers – These services provide a safe, supportive environment to become sober for individuals found to be publicly intoxicated and who would otherwise be transported to an emergency department or jail. These services also include medical triage, lab testing, a temporary bed, rehydration and food service, treatment for nausea, wound and dressing changes, shower and laundry facilities, substance use education and counseling, homeless care support services, and screening and linkage to ongoing supportive services.
- Asthma Remediation – These services are physical modifications to a home environment that are necessary to ensure the health, welfare, and safety of the individual, or enable the individual to function

in the home without acute asthma episodes that could result in emergency utilization or hospitalization. These services would include allergen-impermeable mattress and pillow dustcovers, high-efficiency particulate air filtered vacuums, integrated pest management, de-humidifiers, air filters, other moisture-controlling interventions, minor mold removal and remediation, ventilation improvements, asthma-friendly cleaning products and supplies, and other interventions identified to be medically appropriate and cost-effective.

As of March 2024, the availability of community supports in each county, or future date of implementation are as follows:

- Housing Transition Navigation Services
  - **Currently Available – All 58 Counties**: As of January 2024, all Medi-Cal managed care plans in all 58 counties offer housing transition navigation services.

- Housing Deposits
  - **Currently Available – All 58 Counties**: As of January 2024, all Medi-Cal managed care plans in all 58 counties offer housing deposits.

- Housing Tenancy and Sustaining Services
  - **Currently Available – All 58 Counties**: As of January 2024, all Medi-Cal managed care plans in all 58 counties offer housing tenancy and sustaining services.

- Short-Term Post-Hospitalization Housing
  - **Currently Available – 53 Counties**: As of January 2024, Medi-Cal managed care plans in 53 counties offer short-term post-hospitalization housing.
  - **Beginning July 1, 2024 – 5 Counties**: Calaveras, Inyo, Madera, Mono, San Mateo

- Recuperative Care (Medical Respite)
  - **Currently Available – 58 Counties**: As of January 2024, Medi-Cal managed care plans in all 58 counties offer recuperative care (medical respite).

- Caregiver Respite
  - **Currently Available – 58 Counties**: As of January 2024, Medi-Cal managed care plans in all 58 counties offer caregiver respite.

- Day Habilitation Programs
  - **Currently Available – 32 Counties**: As of January 2024, Medi-Cal managed care plans in 32 counties offer day habilitation programs.
  - **Beginning July 1, 2024 – 9 Counties**: Marin, Mariposa, Napa, San Mateo, Santa Cruz, Solano, Sonoma, Ventura, Yolo
  - **Not Available – 17 Counties:** Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Monterey, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity

- Nursing Facility Transition/Diversion to Assisted Living Facilities
  - **Currently Available – 38 Counties**: As of January 2024, Medi-Cal managed care plans in 38 counties offer nursing facility transition/diversion to assisted living facilities.

- **Not Available – 20 Counties:** Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Monterey, Nevada, Plumas, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Tehama, Trinity

- Nursing Facility Transition to a Home
  - **Currently Available – 38 Counties**: As of January 2024, Medi-Cal managed care plans in 38 counties offer nursing facility transition to a home.
  - **Not Available – 20 Counties:** Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Monterey, Nevada, Plumas, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Tehama, Trinity

- Personal Care and Homemaker Services
  - **Currently Available – All 58 Counties**: As of January 2024, Medi-Cal managed care plans in all 58 counties offer personal care and homemaker services.

- Environmental Accessibility Adaptations (Home Modifications)
  - **Currently Available – 40 Counties**: As of January 2024, Medi-Cal managed care plans in 40 counties offer environmental accessibility adaptations (home modifications).
  - **Not Available – 18 Counties:** Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Tehama, Trinity

- Medically-Supportive Food/Meals/Medically Tailored Meals
  - **Currently Available – 57 Counties**: As of January 2024, 57 counties have a Medi-Cal managed care plan that offers medically-supportive food, meals, and medically tailored meals.
  - **Beginning July 1, 2026:** Butte

- Sobering Centers
  - **Currently Available – 27 Counties**: As of January 2024, Medi-Cal managed care plans in 27 counties offer sobering centers.
  - **Beginning July 1, 2024 – 5 Counties**: Calaveras, Inyo, Madera, Mono, Ventura
  - **Not Available – 26 Counties**: Butte, Colusa, Contra Costa, Del Norte, Glenn, Humboldt, Lake, Lassen, Marin, Mariposa, Mendocino, Modoc, Napa, Nevada, Plumas, San Mateo, Santa Cruz, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo

- Asthma Remediation
  - **Currently Available – 30 Counties**: As of January 2024, Medi-Cal managed care plans in 30 counties offer asthma remediation.
  - **July 1, 2024 – 8 Counties**: Marin, Mariposa, Napa, San Mateo, Santa Cruz, Solano, Sonoma, Yolo
  - **Not Available – 20 Counties:** Butte, Colusa, Del Norte, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Monterey, Nevada, Plumas, San Luis Obispo, Santa Barbara, Shasta, Sierra, Siskiyou, Tehama, Trinity

Managed Care Plan Incentives. The Governor's January budget includes expenditure authority of $600 million ($300 million General Fund and $300 million federal funds) in 2023-24 and $300 million ($150

million General Fund and $150 million federal funds) in 2024-25 for managed care plan incentives. Beginning January 1, 2022, Medi-Cal managed care plans were eligible for incentive payments for investing in expanding and improving delivery of ECM and community supports. Federal regulations allow a percentage above a Medi-Cal managed care plans capitation payment to be allocated for quality improvement programs. To receive incentive payments, Medi-Cal managed care plans must improve delivery system infrastructure, build provider capacity for ECM and community supports services, and achieve certain quality benchmarks.

Medi-Cal Providing Access and Transforming Health (PATH). The Governor's January budget includes expenditure authority of $1 billion ($426.5 million General Fund, $523.2 million federal funds, and $95.3 million special funds and reimbursements) in 2023-24 and $478.8 million ($207.4 million General Fund, $239.4 million federal funds, and $32 million special funds and reimbursements) in 2024-25 for the Medi-Cal Providing Access and Transforming Health (PATH) initiative. The Medi-Cal PATH initiative is intended to provide a smooth transition between current 1115 Waiver pilots and statewide services and capacity building, including for effective pre-release care and coordination with justice agencies. PATH funding will support the transition from Whole Person Care pilots to ECM and community supports, including funding for counties, community-based organizations, and other providers to build the capacity and infrastructure necessary for these new statewide services. In addition, PATH funding will help ensure jails and prisons are ready for service delivery for the justice-involved, including mandatory Medi-Cal applications; behavioral health referrals, linkages, and warm hand-offs from county jails to Medi-Cal managed care plans and county behavioral health departments; "in reach" services up to 90 days prior to release, and the re-entry ECM benefit available in January 2023. PATH funding will also support workforce development for the homeless and home- and community-based services systems of care, including outreach, training in evidence-based practices, information technology for data sharing, and training stipends.

Panel Discussion. The subcommittee has invited the following panelists to discuss their experience with delivering the ECM benefit and community supports services:

- **Katie Andrew,** Dir. of Govt. Affairs, Quality & Behavioral Health, Local Health Plans of California
- **Ruth Lopez Novodo**, Managed Care Director, El Proyecto del Barrio, Inc.
- **Jessica Cervin,** Case Management Department Manager, Sacramento Native American Health Center
- **Linda Nguy,** Associate Director of Policy Advocacy, Western Center on Law and Poverty

Subcommittee Staff Comment—This is an informational item.

Questions. The subcommittee has requested DHCS and invited panelists to respond to the following:

DHCS:

1. Please provide a brief overview and update of implementation of the enhanced care management benefit (ECM) and community supports services in CalAIM, including the following information, if available:
   a. Number of ECM providers in the state
   b. Most common types of entities that are enrolled as ECM providers
   c. Number of unique Medi-Cal beneficiaries that receive the ECM benefit on an annual basis.

d. Status of plan uptake of each of the community supports, including most common and least common services offered statewide.
e. Number of Medi-Cal beneficiaries that receive one or more community supports services annually.
f. Most common and least common community supports services received by Medi-Cal beneficiaries.

2. Please describe the process for determining beneficiary eligibility for ECM or community supports services.

3. How are beneficiaries determined to be part of one of the populations of focus? Do plans have any flexibility in offering ECM or community supports services to beneficiaries outside of these populations or who do not meet eligibility criteria, but would benefit from these services?

4. Does the department have flexibility to implement additional populations of focus, or is there a need for a statutory change?

5. Has the department observed any challenges with beneficiaries accessing ECM or community supports services in any parts of the state? If so, what is the most common barrier?

6. How does the department independently, or in collaboration with plans, provide outreach and technical assistance to providers to ensure they are aware of the benefits and services available to their patients under CalAIM?

7. How does the department independently, or in collaboration with plans, provide outreach and education to Medi-Cal beneficiaries to ensure they are aware of the benefits and services available under CalAIM?

8. How are the department or plans tracking outcomes for Medi-Cal beneficiaries receiving ECM and community supports? Are there any data available to characterize the impact on high-need beneficiaries of the implementation of these benefits and services?

9. While the expiration of the CalAIM Waiver is more than two years away, are there any lessons learned from the experience of ECM and community supports so far that might inform changes to the program in the next iteration of the Waiver beginning in 2027?

Local Health Plans

1. Please describe the local plans' experience in implementing the ECM benefit, and standing up community supports.

2. How do local plans identify which of their members are eligible for ECM or community supports services? Specifically, how to local plans identify members that are in a population of focus, and at a sufficiently high risk level to be eligible for either ECM or community supports services?

3. What kind of outreach is conducted by local plans to ensure members know which services are available and to connect them with providers of those services?

4. What type of case management is available to members who are not quite high-risk enough to qualify for ECM, but are still in need of some case management services or other navigation?

5. Do local plans have any discretion to determine a member eligible for ECM or community supports if the member doesn't strictly qualify under existing eligibility criteria, but would likely benefit from receiving one of these services?

6. What has been the local plans' experience in standing up provider networks for non-traditional community supports services, including housing, medically tailored meals, environmental/asthma remediation, etc..? Have there been any challenges with provider enrollment, rate development, or reimbursement processes?

7. For the community supports services local plans are providing, are the provider networks generally sufficient to provide these services to members everywhere in a plan's coverage area?

8. What kind of outreach or technical assistance do local plans offer to providers to ensure they know the services available for their patients, how to connect patients with those services, and generally how to navigate administrative requirements to ensure their patients are receiving all of the services they need?

Clinic Providers (El Proyecto Del Barrio, Inc., and Sacramento Native American Health Center)

1. Please describe the benefits and services under CalAIM provided by your clinic providers.

2. How do the Medi-Cal managed care plans in your area refer their members for enhanced care management or community supports services?

3. Were there any challenges enrolling as a provider of these benefits or services, or with the rate-setting or reimbursement process?

4. Have DHCS or the plans provided any outreach or technical assistance to your clinic providers to ensure they know what services are available under CalAIM for their patients?

5. Have your clinic providers experienced any challenges connecting patients to ECM or community supports services? What are the most common barriers?

6. Have your clinic providers encountered patients that, in their view would likely benefit from ECM or community supports services, but did not meet eligibility criteria?

7. Has the availability of these benefits and services allowed your clinics to better serve patients in the community compared with services provided prior to CalAIM?

8. What types of other benefits or services that address the social determinants of health are you able to connect your patients to under CalAIM?

Consumer Advocates (Western Center on Law and Poverty)

1. Please describe WCLP's view of how ECM and community supports services in CalAIM impact health care consumers' access to care that addresses the whole person.

2. Are consumers experiencing challenges accessing these new benefits and services? What are the most common barriers experienced by consumers that prevent them from receiving ECM or community supports?

3. Do DHCS or Medi-Cal managed care plans work with community partners like WCLP to perform outreach and education activities to ensure consumers know what services are available under CalAIM?

4. Has WCLP observed any disparities in the delivery of ECM or community supports services to certain communities? If so, are these disparities general across these services, or specific to a certain set of services?

5. What recommendations do you have for how DHCS or the plans could improve the reach of CalAIM, improve how consumers access ECM and community supports services, and ensure consumers get the care they need?

Issue 5: Funding Transition to State Operations for CalAIM MLTSS and D-SNP Integration

Budget Change Proposal – Governor's Budget. DHCS requests to shift expenditure authority of $6.6 million ($3.3 million General Fund and $3.3 million federal funds) for three years from local assistance to state operations. If approved, this shift would allow DHCS to align technical assistance contracts for the California Advancing and Innovating Medi-Cal (CalAIM) Managed Long-Term Services and Supports (MLTSS) and Dual-Eligible Special Needs Plan (D-SNP) integration with other technical assistance contracts managed by DHCS.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
State Operations:		
0001 – General Fund	$3,300,000	$3,300,000
0890 – Federal Trust Fund	$3,300,000	$3,300,000
Local Assistance:		
0001 – General Fund	($3,300,000)	($3,300,000)
0890 – Federal Trust Fund	($3,300,000)	($3,300,000)
Total Funding Request:	**$0**	**$0**

* Shift of resources continues through 2026-27.

Background. Under CalAIM, DHCS made several changes to the delivery system for long-term services and supports (LTSS) that built upon the state's duals demonstration project, the Coordinated Care Initiative (CCI). CalAIM has moved the state toward aligned enrollment in a Medi-Cal managed care plan and a dual-eligible special needs plan (D-SNP) operated by one integrated organization. In the seven CCI demonstration counties, all Medi-Cal beneficiaries in a Cal MediConnect plan transitioned to aligned D-SNPs and managed care plans operated by the same organization as their Cal MediConnect product, beginning January 1, 2023. Aligned enrollment will occur in all non-CCI counties by 2026. Dual-eligible beneficiaries already in a non-aligned D-SNP (not affiliated with their managed care plan) will be allowed to maintain their enrollment, but new enrollment in non-aligned D-SNPs will be closed.

DHCS will require all D-SNPs to use a model of care addressing both Medicare and Medi-Cal services to support coordinated care, high-quality care transitions, and information sharing. D-SNPs would be required to: 1) develop and use integrated member materials, 2) include consumers in existing advisory boards, 3) establish joint contract management team meetings for aligned D-SNPs and managed care plans, 4) include dementia specialists in care coordination efforts, and 5) coordinate carved-out LTSS benefits including in-home supportive services (IHSS), MSSP, and other home- and community-based services waiver programs.

As part of this transition, the Medi-Cal Estimate has included expenditure authority of $6.6 million ($3.3 million General Fund and $3.3 million federal funds) to support contractor activities for project management, technical assistance, policy development support, stakeholder engagement meetings and documents, and provider, member and health plan outreach.

Fund Transition Request. DHCS requests to shift expenditure authority of $6.6 million ($3.3 million General Fund and $3.3 million federal funds) for three years from local assistance to state operations. If approved, this shift would allow DHCS to align technical assistance contracts for the California

Advancing and Innovating Medi-Cal (CalAIM) Managed Long-Term Services and Supports (MLTSS) and Dual-Eligible Special Needs Plan (D-SNP) integration with other technical assistance contracts managed by DHCS.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 6: Managed Care Capitation Payment Systems Support

Budget Change Proposal – Governor's Budget. DHCS requests five positions and expenditure authority of $926,000 ($233,000 General Fund and $693,000 federal funds) in 2024-25, and $881,000 ($221,000 General Fund and $660,000 federal funds) annually thereafter. If approved, these positions and resources would allow DHCS to provide ongoing support to the Capitation Payment Management System (CAPMAN) and Electronic Accounting Management Interface (EAMI) systems that manage capitation payments in the Medi-Cal program.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0001 – General Fund	$233,000	$221,000
0890 – Federal Trust Fund	$693,000	$660,000
Total Funding Request:	**$926,000**	**$881,000**
Total Requested Positions:	**5.0**	**5.0**

* Positions and resources ongoing after 2025-26.

Background. According to DHCS, in 2011, 3 million Medi-Cal beneficiaries were enrolled in Medi-Cal managed care. The November 2023 Medi-Cal Local Assistance Estimate assumes 2024-25 Medi-Cal caseload of 13.8 million, with 95.1 percent, or 13.1 million, receiving services through the managed care delivery system. Medi-Cal managed care plans provide for Medi-Cal covered benefits and services for their enrolled members and receive a per member per month capitation payment that is actuarially determined to cover the expected costs of beneficiaries' care.

DHCS reports that the Medi-Cal program has significantly expanded and changed in the last 12 years due to the federal Affordable Care Act, state and federal regulations and statutory changes, as well has DHCS initiatives to improve the beneficiary experience, such as the California Advancing and Innovating Medi-Cal (CalAIM) initiative. These expansions and changes have led to significant increases in complexity for payments made to Medi-Cal managed care plans.

The Capitation Payment Management System (CAPMAN) calculates monthly capitation payment amounts, generates premium payment transactions, generates enrollment and disenrollment transactions, and allows Medi-Cal managed care plans to reconcile payments received against members they have enrolled. According to DHCS, in 2022 programs requested 92 change requests, but the Business Operations Technology Services Division (BOTSD) only has staff capacity to manage 52 change requests. DHCS reports BOTSD receives an average of 50 new change requests annually, but needs additional staff to clear the backlog of change requests to a manageable amount.

Staffing and Resource Request. DHCS requests five positions and expenditure authority of $926,000 ($233,000 General Fund and $693,000 federal funds) in 2024-25, and $881,000 ($221,000 General Fund and $660,000 federal funds) annually thereafter to provide ongoing support to the Capitation Payment Management System (CAPMAN) and Electronic Accounting Management Interface (EAMI) systems that manage capitation payments in the Medi-Cal program. Specifically, DHCS requests the following positions:

Business Operations Technology Services Division – Five positions

- **One Information Technology Specialist (ITS) II** position and **four ITS I** positions would provide information technology support for the CAPMAN system; meet additional workload of changes, operations support, monitoring, and reporting; aid in addressing stakeholder change requests, product support inquiries, and audit processes; and be responsive to product support requests, audits, and data-related inquiries.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 7: Medi-Cal Drug Rebate Special Fund Reserve Shift

General Fund Budget Solution – Governor's Budget. DHCS requests to transfer reserves balances in the Medi-Cal Drug Rebate Fund of $135.1 million in 2023-24 and $27.6 million in 2024-25 to the General Fund. This transfer is intended to address the state's General Fund shortfall.

Multi-Year Funding Request Summary		
Fund Source	**2023-24**	**2024-25**
0001 – General Fund	$135,084,000	$27,562,000
3331 – Medi-Cal Drug Rebate Fund	($135,084,000)	($27,562,000)
Total Funding Request:	**$0**	**$0**

Background. The federal Omnibus Budget Reconciliation Act of 1990 established the Medicaid Drug Rebate Program, which requires drug manufacturers to pay rebates to state Medicaid programs for drugs dispensed to Medicaid beneficiaries. These rebates are shared between states and the federal government according to the relevant federal matching rate for the beneficiaries to whom the drugs were dispensed. In addition to the federal rebate program, California law requires DHCS to enter into contracts with drug manufacturers to provide supplemental rebates for drugs dispensed to Medi-Cal beneficiaries in the fee-for-service delivery system or enrolled in county organized health systems (COHS). These rebates are in addition to those received through the federal rebate program. In 2010, the federal Affordable Care Act further extended eligibility for the federal rebate program to drugs dispensed to beneficiaries enrolled in non-COHS Medi-Cal managed care plans.

In the past, when rebates were first received, the funding split between the General Fund and federal funds was unknown and the initial funding credited back assuming a 50 percent federal match until reconciled with actual claims data. The timing of these later adjustments varied, and shifted from one fiscal year to another. For example, federal reimbursement was never remitted for drug rebates on claims between April 2015 and June 2016. For this period and the period between January and March 2017, DHCS remitted several one-time repayments to the federal government related to the higher federal matching rate for Affordable Care act beneficiaries after reconciliation of actual claims data. The 2017 Budget Act reflected a federal repayment of $487.3 million in 2016-17. The 2018-19 January budget included an additional federal repayment of $303.1 million in 2017-18 and offsetting savings of $280.7 million in 2018-19. The 2019-20 January budget includes additional rebates of $390 million for 2018-19. This uncertainty of when drug rebates are received and adjusted posed challenges for the department's overall fiscal management.

The 2019 Budget Act included trailer bill language to establish the Medi-Cal Drug Rebate Fund to manage the impact on the department's General Fund cash flow due to the uncertain timing of drug rebates and funding adjustments. The fund allows for a specific amount to be budgeted and transferred to offset General Fund expenditures in the Medi-Cal program. DHCS reports it typically targets a reserve in the fund of $220 million. If additional rebates are received, the department is able to validate the rebates and have increased flexibility on the timing of the impact to the General Fund, reducing volatility in Medi-Cal General Fund expenditures. The fund is continuously appropriated to DHCS for expenditure in the Medi-Cal program and the authorizing trailer bill language authorized the State Controller to use the funds for cash flow loans to the General Fund.

General Fund Budget Solution. DHCS requests to transfer reserves balances in the Medi-Cal Drug Rebate Fund of $135.1 million in 2023-24 and $27.6 million in 2024-25 to the General Fund. This transfer is intended to address the state's General Fund shortfall.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal

2. What is the rationale for transferring this fund balance to the General Fund, rather than allowing for a General Fund loan?

Issue 8: Clinic Workforce Stabilization Payments – Trailer Bill Language

General Fund Budget Solution and Trailer Bill Language – Governor's Budget. DHCS proposes trailer bill language to authorize cancellation of the transfer of $14.9 million of unspent clinic workforce stabilization payments to HCAI for clinic workforce development programs. This proposal is intended to address the state's General Fund shortfall.

Background. The 2022 Budget Act included General Fund expenditure authority of $70 million, available until June 30, 2024, and the Legislature approved trailer bill language, to provide retention payment of up to $1,000 to eligible clinic workers. Based on estimates that the number of clinic workers eligible for payments would not encumber the entire $70 million allocation, the trailer bill language adopted by the Legislature included a provision that would transfer the remaining, unspent balance of the funds to HCAI to support clinic workforce development programs. The programs eligible for this funding include teaching health center residency programs, the State Loan Repayment Program, the Allied Healthcare Scholarship Program, the Allied Healthcare Loan Repayment Program, nurse practitioner postgraduate workforce training slots, or physician assistant postgraduate workforce training slots.

General Fund Budget Solution and Trailer Bill Language. DHCS proposes trailer bill language to authorize cancellation of the transfer of $14.9 million of unspent clinic workforce stabilization payments to HCAI for clinic workforce development programs. This proposal is intended to address the state's General Fund shortfall. The trailer bill language would delete the provisions of Section 14199.72 of the Welfare and Institutions Code that govern the transfer of unspent clinic workforce stabilization payments to HCAI.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 9: Eliminate Two-Week Checkwrite Hold Buyback

General Fund Budget Solution – Governor's Budget. DHCS requests to eliminate the planned buyback of the two-week hold on fee-for-service Medi-Cal payments each June until the following fiscal year. If approved, this proposal would result in General Fund savings of $532.5 million in 2024-25 and is intended to address the state's General Fund shortfall.

Background. The 2022 Budget Act included expenditure authority of $795.8 million ($309.4 million General Fund and $486.3 million federal funds) to eliminate the two-week hold on provider checkwrites that occurs during the last two weeks of the fiscal year. This practice was adopted during the 2006-07 fiscal year as a budget solution to address a General Fund shortfall. Because Medi-Cal is budgeted on a cash basis of accounting, delaying checkwrites for two weeks resulted in one-time savings in that fiscal year by moving costs into the subsequent fiscal year. As the program has grown since adoption of this savings proposal, the cost to reverse it has grown, as well.

The 2023 Budget Act delayed elimination of the checkwrite delay until 2024-25, resulting in $378 million General Fund savings to address the General Fund shortfall in the 2023-24 fiscal year. For 2024-25, DHCS requests to eliminate the planned buyback entirely. The department indicates it may revisit this issue if the state's General Fund condition improves.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal

Issue 10: Proposals for Investment

Proposals for Investment. The subcommittee has received the following proposals for investment:

For presentation:

- **Medi-Cal Outreach and Enrollment for Older Adults Project.** The California Coverage and Health Initiatives request expenditure authority of $20 million ($10 million General Fund and $10 million federal funds) in 2024-25, 2025-26, and 2026-27 to continue to provide enrollment assistance to older adults. The project's work began in April 2022, and the current funding for the Medi-Cal Outreach and Enrollment for Older Adults will end on June 30, 2024. This budget request is meant to continue the funding of the program. With the expiration of the current funding, the vulnerable populations that are presently being served under the project, including dual-eligible seniors and older adults regardless of immigration status, will no longer be able to benefit from the program. This includes receiving outreach about the health care coverage, information about enrollment, as well as how to utilize services under this grant that allow them to maximize their coverage. Additionally, a significant number of individuals that are currently dual eligible but are not currently enrolled will not have access to the services and will not benefit from the program. The populations served under this grant face multiple health-related social needs, including housing insecurity, food insecurity, poverty, and limited English proficiency. With this budget request, the project can continue this crucial work and expand its reach throughout a greater number of California counties.

- **Medi-Cal Coverage for Dental Implants.** The California Alliance for Retired Americans request expenditure authority and trailer bill language to add coverage for medically necessary dental implants as a benefit in the Medi-Cal program. Currently, single tooth implants are not a benefit of the Medi-Cal Dental Program, unless a beneficiary has an exception medical condition such as cancer of the mouth, severe loss of upper and lower jaw bone, skeletal deformities, or traumatic destruction of jaw, face, or head. All others in need of an implant are required to pay for it out of pocket. Families on Medi-Cal are already at the poverty threshold, so have no means to pay thousands of dollars out of pocket for a dental procedure that should be a covered benefit under Medi-Cal. The lack of accessible dental services across California means everyday Californians who are suffering from less dire, but no less significant, dental issues are simply having teeth removed without having that tooth replaced. This request would be an important step toward ensuring fair and equitable access to dental services for all Californians.

Not for presentation:

- **Multi-Year Continuous Medi-Cal Enrollment for Young Children 0-5.** A coalition of 8 children's and consumer advocacy organizations requests expenditure authority of $20 million ($10 million General Fund and $10 million federal funds) in 2024-25 and $40 million ($20 million General Fund and $20 million federal funds) annually thereafter to implement multi-year continuous Medi-Cal enrollment for children ages 0-5 authorized in the 2022 Budget Act. SB 189 (Committee on Budget and Fiscal Review), Chapter 189, Statutes of 2022 amended the policy to require a Department of Finance determination in the spring of 2024 that General Fund money over the multiyear forecast is available to support the provision of a General Fund augmentation for the State Department of Health Care Services to implement continuous Medi-Cal enrollment for children ages zero through 4 years,

inclusive, subject to federal approvals. In addition to receiving this determination, to become operational by the January 2025 start date, the policy must be funded. This will require funding and submission of a request for federal approval. If California delays submitting this federal request until this summer or later, it runs the risk of an unfavorable federal review should federal administrations change. This request would remove the language requiring a determination in the spring of 2024 that General Fund money over the multiyear forecast is available to support the provision of a General Fund augmentation for the State Department of Health Care Services to implement continuous Medi-Cal enrollment for children ages zero through 4 years and direct DHCS to submit the federal waiver.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, April 11, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Item **Department** **Page**

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5175 DEPARTMENT OF CHILD SUPPORT SERVICES

Issue 1: Department of Child Support Services Overview

Department of Child Support Services (DCSS). The child support program is a federal-state program that establishes, collects, and distributes child support payments to participating parents with children. These tasks include: locating difficult to find parents; certifying paternity; establishing, enforcing, and modifying child support orders; and collecting and distributing payments. In California, the child support program is administered by 47 county and regional local child support agencies (LCSAs), in partnership with local courts. Local program operations are overseen by DCSS.[1] The following chart, provided by the Legislative Analyst's Office (LAO), summarizes child support program costs and collections:

Summary of Child Support Program Costs and Collections

(In Millions)

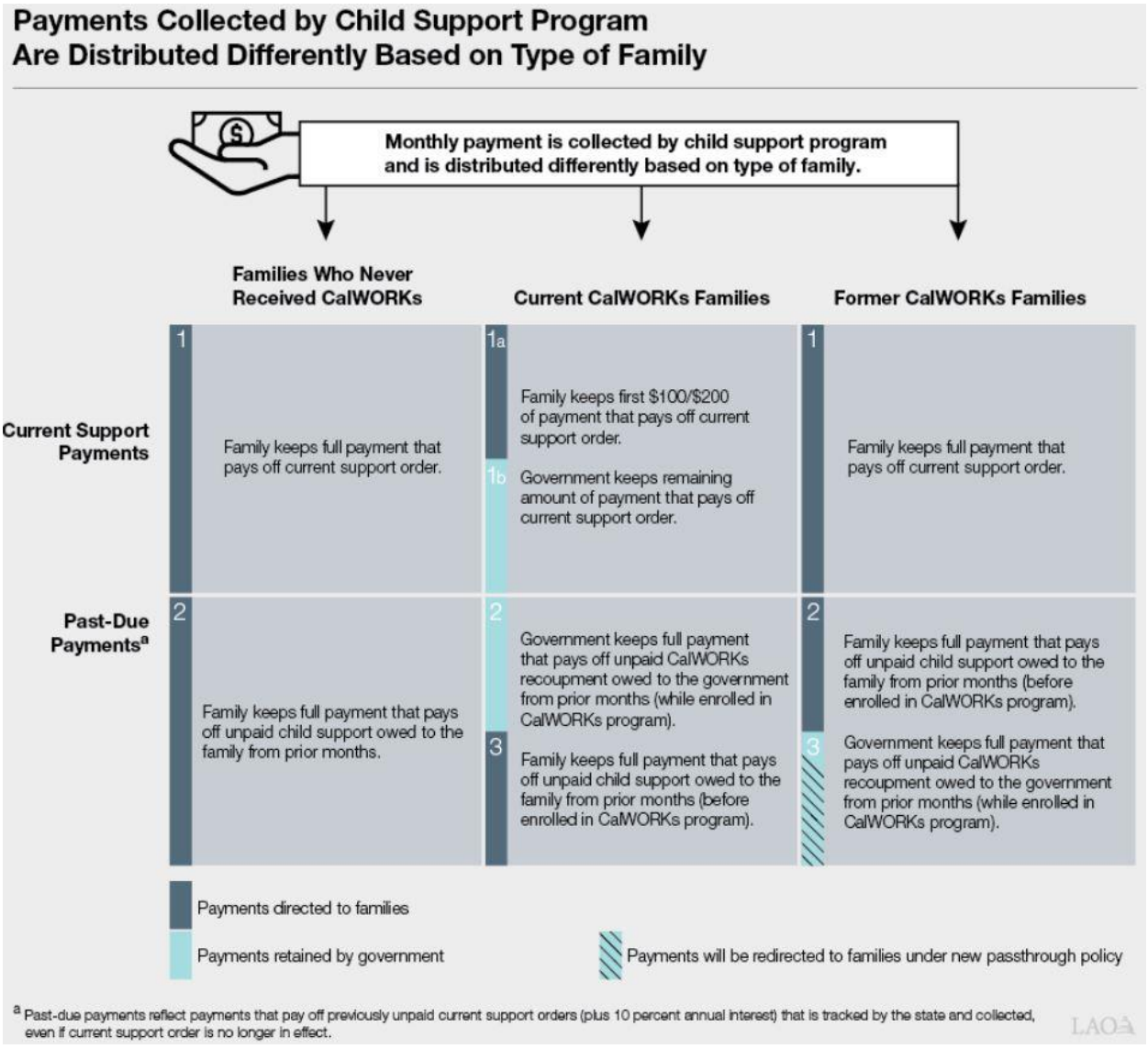
	Total	Federal	General Fund	County	Reimbursement/ Other[a]
2024-25 Governor's Budget					
Child Support Program Costs	**$1,214.6**	**$821.0**	**$379.9**	**$13.6**	**$0.1**
State operations	$215.8	$148.5	$67.2	—	$0.1
Local assistance	998.8	672.5	312.7	$13.6	—
Collections	**$2,549.9**	**$62.3**	**$78.0**	**$9.5**	**$2,400.1**
2023-24 Revised Estimates					
Child Support Program Costs	**$1,217.6**	**$823.8**	**$380.0**	**$13.6**	**$0.1**
State operations	$217.1	$150.0	$66.9	—	$0.1
Local assistance	1,000.5	673.8	313.1	$13.6	—
Collections	**$2,528.6**	**$129.8**	**$154.6**	**$13.4**	**$2,230.8**
Change from 2023-24 to 2024-25					
Child Support Program Costs	**-$3.0**	**-$2.9**	**-$0.1**	—	—
State operations	-$1.3	-1.6	$0.2	—	—
Local assistance	-1.6	-1.3	-0.3	—	—
Collections[b]	**$21.3**	**-$67.5**	**-$76.6**	**-$3.9**	**$169.3**

[a] "Other" reflects collections that are paid to families and collections received in California on behalf of other states.

[b] Changes in collections distribution reflect implementation of full passthrough to formerly assisted California Work Opportunity and Responsibility to Kids families, effective May 1, 2024.

[1] Legislative Analyst's Office, "The 2024-25 Budget: Child Support," February 27, 2024.

Background on Child Support System. Around 75 percent of child support cases are comprised of families who receive or formerly received cash aid from the CalWORKs program. Under federal law, when a parent applies for CalWORKs cash aid (and is not living with the other parent), they generally are required to open a child support case and sign over a portion of their child support payments to the state. The state retains this portion as reimbursement toward the total government costs for the cash aid the family received under the CalWORKs program. This process of retaining child support payments to offset CalWORKs costs is referred to as CalWORKs recoupment. The CalWORKs recoupment payments are generally split between the state (roughly 50 percent), counties (roughly five percent), and federal government (roughly 45 percent). The state's share of CalWORKs recoupment is accounted for as General Fund revenue.[2] The following figure, provided by the Legislative Analyst's Office (LAO), illustrates how current support and past-due payments are directed to the family or government, depending on whether the family is currently receiving, or has ever received, CalWORKs cash aid:



[2] LAO

Implementation of the Full CalWORKs Pass-Through. The Legislature has moved in recent years to end the practice of intercepting child support payments from low-income families on CalWORKs.

- **Formerly assisted families**: As part of the 2022 Budget Act, the state ended the practice of intercepting child support payments from families who were formerly enrolled in CalWORKs. The 2022 Budget Act included $187 million ongoing to waive the state's share of recoupment of child support payments for formerly assisted families (the 2024-25 Governor's budget revises the estimate to $160.7 million annually, of which $85 million would be from lost General Fund revenues, and another $4 million would be General Fund revenues reimbursing the counties' lost share of recoupment, for a total of $89 million General Fund). Trailer bill language in the 2022 Budget Act allows the pass-through for formerly assisted families to begin on July 1, 2023. This was delayed in 2023 due to automation issues and is scheduled to take effect April/May 2024.

- **Currently assisted families:** In addition to ending the interception of child support payments for formerly assisted CalWORKs families, the 2022 Budget Act includes trigger language to implement a full pass-through of child support payments to families currently receiving CalWORKs assistance. This is subject to an evaluation of General Fund availability by the Department of Finance (DOF) in spring 2024 (May Revision). Without an appropriation in the 2024-25 budget, the state will continue to intercept child support payments from families currently receiving CalWORKs.

The "trigger" for the pass-through to currently assisted families becomes inoperative July 1, 2024, and would need to be extended if the full pass-through is not included in the 2024-25 budget. Additionally, time for automation by the California Department of Social Services (CDSS) and DCSS would be necessary to implement the pass-through for currently assisted families, meaning that additional delays would occur even after the "trigger" is pulled.

The 2022 Budget Act also requires CDSS, in conjunction with the DCSS, to convene a workgroup to evaluate unintended consequences of enacting a full pass through of child support payments to custodial families currently receiving CalWORKs benefits, and submit a report to the Legislature by April 1, 2024.

Uncollectible Debt. The 2021 Budget Act included trailer bill language to cease enforcement of state-owed child support arrearages determined to be uncollectible. DCSS reports that they have already implemented some sections of the statute regarding case participants that are solely on CAPI/SSI/SSP/SSDI/Veteran Disability Compensation. DCSS has contracted with UC San Diego to conduct a collectability study comprised of child support data of current case participants. The collectability study was expected to be completed and shared by DCSS by March 2024.

2023 Budget Act included Funding Increase for LCSAs. The 2023 Budget Act included 35.8 million ($12.2 million General Fund) to increase support for local child support agencies.

LAO Comment on LCSA Funding. The LAO notes that "the funding methodology is likely to result in increased General Fund support in the future if the Legislature wishes to maintain a standard staffing ratio as well as account for locally bargained wage and benefit increases. In recent years, however, LCSAs have not spent their full allocations. Given the likelihood of continued budget problems in the future, the

Legislature may wish to examine what funding level—accounting for recent policy changes—would be warranted."[3] The LAO also notes that as a result of implementing the state's new policy around foster care case referrals to LCSAs, DCSS estimates that LCSAs should receive far fewer new foster care referrals going forward. Ultimately, this could contribute to overall lower caseloads, meaning LCSAs would need fewer staff to reach the target staffing ratios.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests DCSS respond to the following:

1. Please provide an update on the implementation of the child support pass-through to formerly assisted CalWORKs families. Is the department on track to implement the policy April/May 2024?

2. Please provide an update on the Administration's evaluation of the "trigger" for currently assisted CalWORKs cases in 2024-25.

3. Please provide an update on the findings and the department's plans to implement recommendations relating to uncollectible debt. When will the UCSD study, which was expected in March, be available?

4. The 2023 Budget Act included $35.8 million ($12.2 million General Fund) ongoing to increase support for LCSAs. How much of this total has been spent in 2023-24? How much is projected to be spent in 2024-25?

[3] LAO

Issue 2: Child Support Trust Fund Overpayment

Trailer Bill Language – Governor's Budget. DCSS requests statutory authority to implement overpayment recovery procedures that would allow the department to offset overpayments with future collections and offset unrecoverable overpayments.

Background on Child Support Payment Trust Fund. Family Code section 17311 establishes the Child Support Payment Trust Fund to deposit child support payments received by DCSS for processing and providing child support payments to the parent receiving support. The collections are received from various sources for court-ordered child support obligations, most notably: wage assignments, direct payments from persons ordered to pay support, and intercepts of IRS refunds. To perform these functions, the Child Support Payment Trust Fund must maintain an adequate balance of funds to disburse collections within the federally mandated two-day disbursement timeframe.

Overpayments. As part of child support casework and payment processing, situations arise that can result in overpayments of support to case participants. These circumstances include, but are not limited to: IRS negative adjustments due to amended tax returns; payments inadvertently applied to the wrong case; payments collected and disbursed in excess of the child support order; credit card chargebacks received after disbursement of funds, collections dishonored by a bank resulting in unfunded collections; and other types of errors.

According to DCSS, since the transition to a single statewide payment processor and Child Support Enforcement (CSE) in 2008, the lack of a recovery mechanism has resulted in a growing balance of overpayments each year. This situation poses a risk to DCSS's ability to meet existing service levels and the federally mandated two-day disbursement timeframes under Federal Title IV-D of the Social Security Act (Sec. 454B. [42 U.S.C. 654b]). Failure to maintain these minimum federal standards provided in Federal Title IV-D of the Social Security Act (Sec. 455. [42 U.S.C. §655]) jeopardizes the continued receipt of federal funding for the program.

Proposed Statutory Authority to Offset Payments with Future Collections. DCSS proposes statutory authority to implement procedures to offset overpayments with future collections. The proposed statutory authority would allow DCSS to recover overpayments in a similar manner to other departments that disburse payments. For example, Welfare and Institutions Code (WIC) 11004 provides the California Department of Social Services (CDSS) authority to recover overpayments of CalWORKs benefits and set relevant thresholds for recovery based on its determinations of cost effectiveness.

DCSS proposes to implement the recovery process by sending up to three letters providing standardized repayment options, entering elected repayment terms in the child support enforcement system for automated recovery, and establishing terms by default consent when no response is received. According to DCSS, establishing default repayment terms will ensure that child support overpayments are recovered.

According to DCSS, each letter would formally notify the issue of overpayment and communicate the intent to recover child support overpayments to the parent receiving support and provide standardized repayment options. According to DCSS, by allowing the parent receiving support to elect repayment terms, and DCSS the ability to enter elections into the child support enforcement system, DCSS can

automate the recovery process to make sure that child support overpayments are collected timely while mitigating the financial impact to the parent. The parent would also be given the option to elect that they do not wish to repay the overpayment, in which case DCSS would flag the overpayment as unrecoverable.

Fiscal Impact. DCSS states the department would absorb costs associated with recovering overpayments. The estimated annual noticing cost to send three letters is around $4,482, based on an average of 1,800 new overpayments per year.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes there is no funding in the Governor's budget associated with this proposal.

Questions. The Subcommittee requests DCSS respond to the following questions:

1. Please provide an overview of this trailer bill language proposal.

PUBLIC COMMENT ON ISSUES 1-2

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Governor's Proposed Cuts to CalWORKs Programs

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Kim Johnson, Director, Department of Social Services and Emily Marshall, Finance Budget Analyst, Department of Finance
- Monica Saucedo, Senior Policy Fellow, California Budget & Policy Center
- Eileen Cubanksi, Interim Executive Director, County Welfare Directors Association
- Briana Burks, Parent Leader, Parent Voices Contra Costa County
- Barri Dommer, Santa Cruz County Family Stabilization, SEIU 521
- Rebecca Gonzales, Policy Advocate, Western Center on Law & Poverty
- Sonia Schrager Russo, Fiscal & Policy Analyst, Legislative Analyst's Office

Governor's Budget Proposes Five Cuts to CalWORKs Totaling $293 Million Ongoing. California Work Opportunity and Responsibilities to Kids (CalWORKs), the state's version of the federal Temporary Assistance for Needy Families (TANF) program, provides cash assistance and job services to eligible low-income families with children. CalWORKs is funded through a combination of the federal TANF block grant, the state General Fund, realignment funds, and other county funds. The program is administered locally by counties and overseen by the Department of Social Services (CDSS). The Governor's budget proposes five budget solutions to CalWORKs programs, including reversions, reductions, and permanent full program eliminations. The five cuts to CalWORKs include:

1. **Permanent Elimination of the CalWORKs Family Stabilization Program.** The Governor's budget proposes to cut $55 million in 2023-24 and $71 million in 2024-25 and ongoing to eliminate the CalWORKs Family Stabilization Program. This program provides stabilizing services such as intensive case management, transitional housing, emergency shelter, and counseling to CalWORKs families experiencing domestic violence or other crisis situation. In 2022-23, these services supported approximately 44,000 CalWORKs families.

2. **Permanent Elimination of the CalWORKs Subsidized Employment Program.** The Governor's budget proposes to cut $134.1 million in 2023-24 and ongoing to eliminate the Subsidized Employment Program, which provides wage subsidies to help CalWORKs participants obtain employment. This program serves approximately 8,250 CalWORKs participants each month.

3. **Permanent Elimination of the Eligibility Administration Supplement (CalWORKs Single Allocation).** The Governor's budget proposes a cut of $40.8 million to eliminate the augmentation to the eligibility and administration component of the single allocation, which has been provided annually since 2021-22, beginning in 2023-24.

4. **Permanent Freeze of Employment Services Intensive Case Management Hours (CalWORKs Single Allocation).** The Governor proposes to freeze hours dedicated to intensive case

management for employment services under the CalWORKs Single Allocation, holding time allotted per intensive case to 8.75 hours instead of increasing to 10 hours in 2024-25 as scheduled, and reducing costs by $47 million.

5. **Reversion of Unspent Funds from the 2022-23 CalWORKs Single Allocation.** The Governor proposes to revert $336.6 million from the 2022-23 CalWORKs Single Allocation that is projected to be unspent. This is an early reversion of funds that would otherwise naturally revert to the General Fund, without any impact to programs.

Governor's Budget Includes $900 million Withdrawal of Safety Net Reserve Meant to Protect CalWORKs. While making the above-described cuts to CalWORKs programs, the Governor's budget also withdraws the entire balance ($900 million) of the Safety Net Reserve to solve the budget problem. The Legislature created the Safety Net Reserve in 2018 to cover the costs of Medi-Cal and CalWORKs caseload increases in the event of an economic downturn.

As noted by the LAO, "although caseloads under the Governor's budget are higher than anticipated in June, economic conditions likely do not yet match what the Legislature envisioned when it created the reserve. Moreover, the administration proposes the ongoing reductions mentioned above despite withdrawing these reserves. Withdrawing the entirety of this reserve, while simultaneously proposing reductions, may not be consistent with its original design."[4]

Governor's Budget Includes 0.8 Percent Increase to CalWORKs Grants funded by Local Revenues. In addition to the cuts to CalWORKs programs and the withdrawal of the Safety Net Reserve, the Governor's budget also proposes a grant increase of approximately 0.8 percent, effective October 2024. This increase is triggered and will be funded by revenue growth in the Child Poverty and Family Supplemental Subaccount (which is realignment funding, not General Fund). The cost of this 0.8 percent grant increase is $26.7 million ongoing from the Subaccount.

Background on CalWORKs Family Stabilization Program. Since 2014, CalWORKs Family Stabilization has supported CalWORKs participants experiencing a crisis or destabilizing situation that would interfere with their ability to participate in welfare-to-work activities. Destabilizing situations include domestic violence, substance use, mental health issues, and risk of homelessness. Family Stabilization services can include intensive case management, transitional housing, emergency shelter, rehabilitative services, counseling, and other supportive services. In 2022-23, these services supported approximately 44,000 CalWORKs families.

Family Stabilization is fully utilized, and in seven out of the last eight years, counties overspent the allocation and used county funds to make up the difference, as shown in the chart below.

[4] Legislative Analyst's Office, "The 2024-25 Budget: CalWORKs," March 4, 2024.

CalWORKs Family Stabilization – Total Program Costs				
Fiscal Year	**Allocation**	**Expenditures**	**County Allocation Remaining Balance***	**% Spent**
2013-14	$10,836,000	$6,030,650	$4,805,350	55.65%
2014-15	$29,654,004	$22,322,081	$7,331,923	75.28%
2015-16	$29,840,000	$38,143,076	($8,303,076)	127.83%
2016-17	$39,913,000	$47,108,226	($7,195,226)	118.03%
2017-18	$46,920,000	$47,793,111	($873,111)	101.86%
2018-19	$44,525,101	$46,462,846	($1,937,745)	104.35%
2019-20	$46,920,000	$47,581,212	($661,212)	101.41%
2020-21	$48,518,000	$48,321,910	$196,090	99.60%
2021-22	$47,272,000	$51,836,854	($4,564,854)	109.66%
2022-23	$51,597,000	$60,408,905	($8,811,905)	117.08%

Expenditures for FY 2021-22 and FY 2022-23 are pending fiscal year end close out process which takes place approximately two years after the end of the expenditure period.

**Negative amounts displayed here reflect funds paid by Counties.*

Source: CDSS

***LAO Comment on Proposed Elimination of Family Stabilization*.** The LAO notes that eliminating the CalWORKs Family Stabilization program may disproportionately and negatively impact families in crisis. "Because counties have some flexibility in the administration of local FS programs, limited data exist on statewide program outcomes. However, anecdotal evidence suggests some counties' FS services have helped recipient families exit unsafe situations, secure stable housing, avoid welfare to work sanctions, and address barriers to work. In the absence of identifying alternative resources, eliminating the FS program would likely limit the amount of support and types of services counties can provide to their highest-need CalWORKs clients."[5]

Background on CalWORKs Expanded Subsidized Employment (ESE) Program. Known as the "Expanded Subsidized Employment Program," this program encompasses all subsidized employment in the CalWORKs program, outside of the general employment services funding included in the CalWORKs Single Allocation. CalWORKs parents participating in "welfare to work" (WTW) must take part in a number of different activities such as employment activities (subsidized and unsubsidized employment), vocational education, job search, job readiness activities, work experience, community service, job skills training, adult basic education, secondary school, or barrier removal activities. ESE is an optional county program to subsidize wages of CalWORKs recipients, usually for six months. Participants may be placed with a private, non-profit, or public agency with the goal of building skills that lead to higher wages and long-term employment. About 1,240 individuals participated in ESE each month in 2022-23, roughly one percent of all CalWORKs recipients with welfare to work requirements.

[5] LAO.

The ESE program has shown to be successful in increasing earnings, with 2019-20 program data showing the median quarterly income among a group of ESE participants began at $2,630 and ended at $5,348 post-ESE participation.

Unlike Family Stabilization, the ESE program has not been fully utilized in recent years, which is attributable to the COVID-19 pandemic and associated workplace restrictions, however the caseload has began rebounding in 2021-22. The chart below demonstrates historical spending on the ESE program.

CalWORKs Expanded Subsidized Employment				
Fiscal Year	Allocation	Expenditures	County Allocation Remaining Balance	% Spent
2013-14	$39,295,000	$17,703,649	$21,591,351	45.05%
2014-15	$134,145,000	$72,948,254	$61,196,746	54.38%
2015-16	$134,145,000	$108,577,168	$25,567,832	80.94%
2016-17	$138,308,000	$130,331,255	$7,976,745	94.23%
2017-18	$134,145,000	$129,795,187	$4,349,813	96.76%
2018-19	$134,145,000	$116,594,720	$17,550,280	86.92%
2019-20	$134,145,000	$110,510,035	$23,634,965	82.38%
2020-21	$134,145,000	$75,288,501	$58,856,499	56.12%
2021-22	$134,145,000	$83,873,101	$50,271,899	62.52%
2022-23	$134,145,000	$90,527,370	$43,617,630	67.48%

Expenditures for FY 2021-22 and FY 2022-23 are pending fiscal year end close out process which takes place approximately two years after the end of the expenditure period.

Source: CDSS

Background on CalWORKs Intensive Services Case Management. Counties receive additional employment services funding (separate from the ESE program) through the Single Allocation for "intensive cases," or families requiring exceptional support to overcome barriers to employment. According to the administration, in recent years, about 10 percent of CalWORKs cases have been considered intensive. The 2021 Budget Act provided additional funding to expand the availability of intensive case management and defined intensive case management as consisting of at least ten hours of county staff time per month. The funding and minimum time requirement were designed to ramp up over four years, with the time requirement beginning at 6.25 hours in 2021-22 and increasing by 1.25 hours annually until 2024-25. In 2023-24, the minimum time requirement for intensive cases was 8.75 hours and was scheduled to increase to ten hours in 2024-25. The Governor's budget proposes an ongoing hold on this increase. The administration projects holding the time requirement at 8.75 hours for 2024-25 and ongoing will result in annual savings of about $47 million General Fund (as compared to what would have been spent with the increase). Counties would continue to receive $411 million for the 8.75 hours of intensive case management through the employment services component of the Single Allocation.[6]

Background on CalWORKs Single Allocation. The CalWORKs Single Allocation is funding for counties to administer the CalWORKs program and is a combination of federal TANF funds and state

[6] LAO

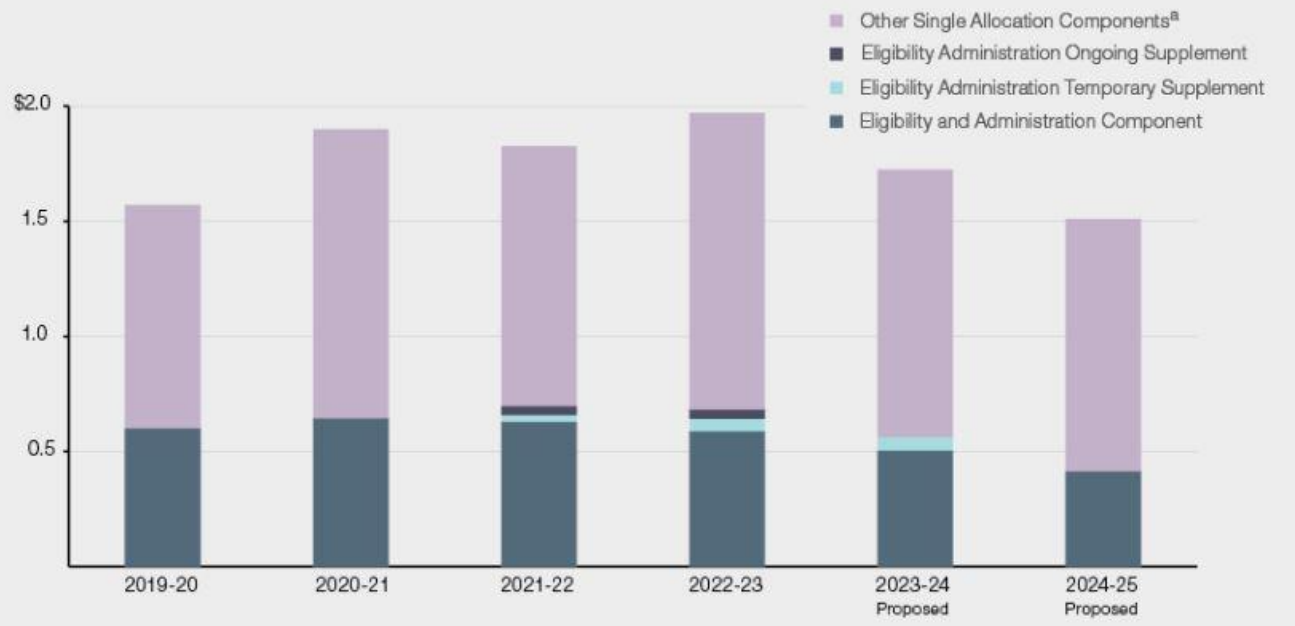
General Fund. The Single Allocation combines funding for Eligibility Administration, Employment Services, and Cal-Learn county functions into one allocation that may be used interchangeably. The Governor's revised budget for 2023-24 CalWORKs Single Allocation is $1.7 billion total funds, of which approximately $1.2 billion is allocated for Employment Services and $506 million is allocated for eligibility determination and administration.

The Governor's proposed $40.8 million ongoing cut is a cut to the eligibility determination and administration portion of the Single Allocation. The Governor's proposed $47 million reduction to freeze intensive services case management hours at 8.75 hours is a cut to the Employment Services component of the Single Allocation. At the county level, counties may use these portions of the single allocation interchangeably. In 2024-25, temporary supplements to the single allocation will also expire; all of these proposed changes would result in an overall 30 percent decrease to the Single Allocation, as noted by the LAO in the chart below.

Figure 6

Both Administrative Component and Overall Single Allocation Would Decrease

(In Millions)



[a] Prior to 2021-22, CalWORKs stage one child care funding was a component of the single allocation. For purposes of this display, we have excluded this component from "Other Single Allocation Components" in 2019-20 and 2020-21.

LAO

Source: LAO

Underspend of the CalWORKs Single Allocation. For many years, the full CalWORKs Single Allocation has been underspent, with funds reverting to the General Fund after final closeout. In the last five years, over $300 million in TANF and General Funds in the CalWORKs Single Allocation have reverted to the General Fund every year. The 2023 Budget Act included an early reversion of $288 million General Fund from the 2021-22 CalWORKs Single Allocation based on projections of underspending.

Similarly, the Governor's budget proposes an early reversion of 2022-23 projected unspent funds from the Single Allocation at $336.6 million. The underspend of the Single Allocation is largely driven by an underspend of the Employment Services component. According to CDSS, about 59 percent of Employment Services was spent in 2020-21, 63 percent in 2021-22, and 73 percent in 2022-23.

LAO Comments on Single Allocation. The LAO notes that in recent years, funding for the Single Allocation eligibility and administration component increased despite decreasing caseload. "Between 2020-21 and 2022-23, the CalWORKs caseload decreased by over 60,000 families, which normally would trigger three consecutive years of $27.5 million in funding decreases to the single allocation's eligibility and administration component. However, in recognition of the high level of uncertainty surrounding caseload projections during the COVID-19 pandemic, the state did not decrease funding and instead provided both ongoing ($40.8 million starting in 2021-22) and temporary ($27.5 million for 2021-22 and $55 million for both 2022-23 and 2023-24) augmentations to the base level of administrative funding."[7]

The LAO further notes that "the funding augmentations to the administrative component in 2021-22, 2022-23, and 2023-24 offset the caseload-driven reductions that would normally have occurred each year (under the existing funding methodology). Therefore, eliminating these augmentations would bring current and budget-year funding into alignment with normal levels under the existing methodology. (However, county representatives indicated without the augmentations mentioned above, the administrative component's methodology likely would not have kept up with growing local costs.) Additionally, since the methodology is scheduled to be reassessed at the May revision, the normal funding level for 2024-25 may change."[8]

Lastly, the LAO notes that the overall effect of the cuts to the Single Allocation are unclear. "From 2021-22 to 2023-24, over $300 million in unspent single allocation funds naturally reverted to the General Fund each year. The Governor's budget proposes the early reversion of $336 million General Fund in unspent single allocation funds from the 2022-23 Budget Act. (The total 2022-23 single allocation appropriation was about $1.9 billion.) These unspent funds would naturally revert to the General Fund in 2025-26. The 2023-24 spending plan also included the early reversion of $288 million in unspent single allocation funds. Given counties consistently underspent total single allocation funds in recent years, along with the fungibility of single allocation funds between the components, counties may be able to fully fund current activities under the Governor's proposal. However, county representatives report the proposed administrative component funding amount ($414 million in 2024-25 and ongoing) may be insufficient to cover administrative costs in some counties. Many administrative activities are statutorily required, so some counties may need to leverage other single allocation funds, especially from the employment services component, to cover necessary administrative costs. Some counties report shifting funds in this way likely would adversely affect the employment services they are able to provide to CalWORKs participants."

CalWORKs Budget and Caseload. The Governor's budget projects CalWORKs caseload will be 348,599 households in 2023-24 and 354,117 households in 2024-25. Funding for 2024-25 includes $6.2 billion ($2.8 billion General Fund) for CalWORKs programs, resulting in a net decrease of $227.1 million from the Budget Act of 2023, reflecting the Governor's proposed cuts to CalWORKs. The CalWORKs

[7] LAO
[8] LAO

caseload is expected to be 2.3 percent higher than previously projected for 2023-24 and 3.9 percent higher for 2024-25, compared to the 2023 Budget Act. The total CalWORKs budget is summarized below:

CalWORKs Budget Summary

All Funds (Dollars in Millions)

	2022-23	2023-24 Proposed	2024-25 Proposed	Change From 2022-23 to 2023-24 Proposed		Change From 2023-24 Proposed to 2024-25 Proposed	
				Amount	Percent	Amount	Percent
Number of CalWORKs Cases	**331,161**	**348,599**	**354,117**	**17,438**	**5%**	**5,518**	**2%**
Cash Grants[a]	**$3,868**	**$4,302**	**$4,413**	**$434**	**11%**	**$112**	**3%**
Single Allocation							
Employment Services	$1,278	$1,153	$1,086	-$125	-10%	-$67	-6%
Cal-Learn Case Management	11	11	11	—	-1	—	1
Eligibility Determination and Administration	628	506	414	-122	-19	-$92	-18
Subtotals	**($1,917)**	**($1,670)**	**($1,511)**	**(-$247)**	**(-13%)**	**(-$160)**	**(-10%)**
Stage 1 Child Care	$532	$648	$709	$116	22%	$61	9%
Other Allocations							
Home Visiting Program	$101	$105	$106	$4	4%	$1	1%
Housing Support Program[b]	285	95	95	-190	-67	—	—
Expanded Subsidized Employment	134	—	—	-134	-100	—	—
Family Stabilization	52	—	—	-52	-100	—	—
Mental Health and Substance Abuse Services	130	130	130	—	—	—	—
Subtotals	**($702)**	**(330)**	**(331)**	**(-$372)**	**(-53%)**	**($1)**	**(—)**
Other[c]	$18	$20	$19	$2	12%	-$1	-6%
Totals	**$7,037**	**$6,971**	**$6,983**	**-$66**	**-1%**	**$12**	**0.2%**

[a]Does not include the cost of an estimated 0.8 percent grant increase funded by certain realignment revenues, which the Governor's budget projects beginning in October 2024. We roughly estimate this would increase cash grants by about $27 million in 2024-25.

[b]The 2022-23 to 2023-24 decrease in Housing Support Program funding is due to the expiration of one-time funding.

[c]Primarily includes various state-level contracts.

Source: LAO

The Governor's budget maintains the transfer of TANF funding to the California Student Aid Commission at $400 million and continues to utilize $18.4 million in TANF at California Community Colleges and California Department of Education for educational and work activities for CalWORKs clients.

The chart on the next page displays total CalWORKs funds sources, including federal TANF funds.

CalWORKs Funding Sources

(Dollars in Millions)

	2022-23	2023-24 Proposed	2024-25 Proposed	Change From 2022-23 to 2023-24 Proposed		Change From 2023-24 Proposed to 2024-25 Proposed	
				Amount	Percent	Amount	Percent
Federal TANF block grant funds	$3,394	$3,516	$2,618	$122	4%	-$898	-26%
• *TANF carryforward*[a]	*767*	*902*	—	*135*	*18*	*-902*	*-100*
General Fund	612	307	1,296	-305	-50	989	322
Realignment funds from local indigent health savings	909	786	671	-123	-14	-115	-15
Realignment funds dedicated to grant increases	909	1,143	1,197	235	26	54	5
Other county/realignment funds	1,213	1,219	1,201	5	—	-18	-1
Totals	**$7,037**	**$6,971**	**$6,983**	**-$66**	**-1%**	**$12**	**0.2%**

[a]TANF carryforward is a non-add line item for display purposes only. This amount is included in federal TANF block grant funds.

TANF = Temporary Assistance for Needy Families.

CalWORKs Grants. The 0.8 percent grant increase scheduled for October 1, 2024, based on the projection of available revenues in the Child Poverty and Family Supplemental Support Subaccount, would bring the non-exempt maximum grant level from $1,171 to $1,180 per month for an assistance unit of three residing in a high-cost county, which is a $9 increase from the current level and equates to 57 percent of the 2023 Federal Poverty Level.

Monthly CalWORKs grant amounts are set according to the size of the assistance unit (AU). The size of the AU is the number of CalWORKs-eligible people in the household. Grant amounts are adjusted based on AU size—larger AUs are eligible to receive a larger grant amount—to account for the increased financial needs of larger families. As of December 2023 (when the most recent analysis was conducted), about 40 percent of CalWORKs cases included everyone in the family (and thus the AU size and the family size were the same). In the remaining 60 percent of cases, though, one or more people in the family were not eligible for CalWORKs and therefore the AU size was smaller than the family size.[9]

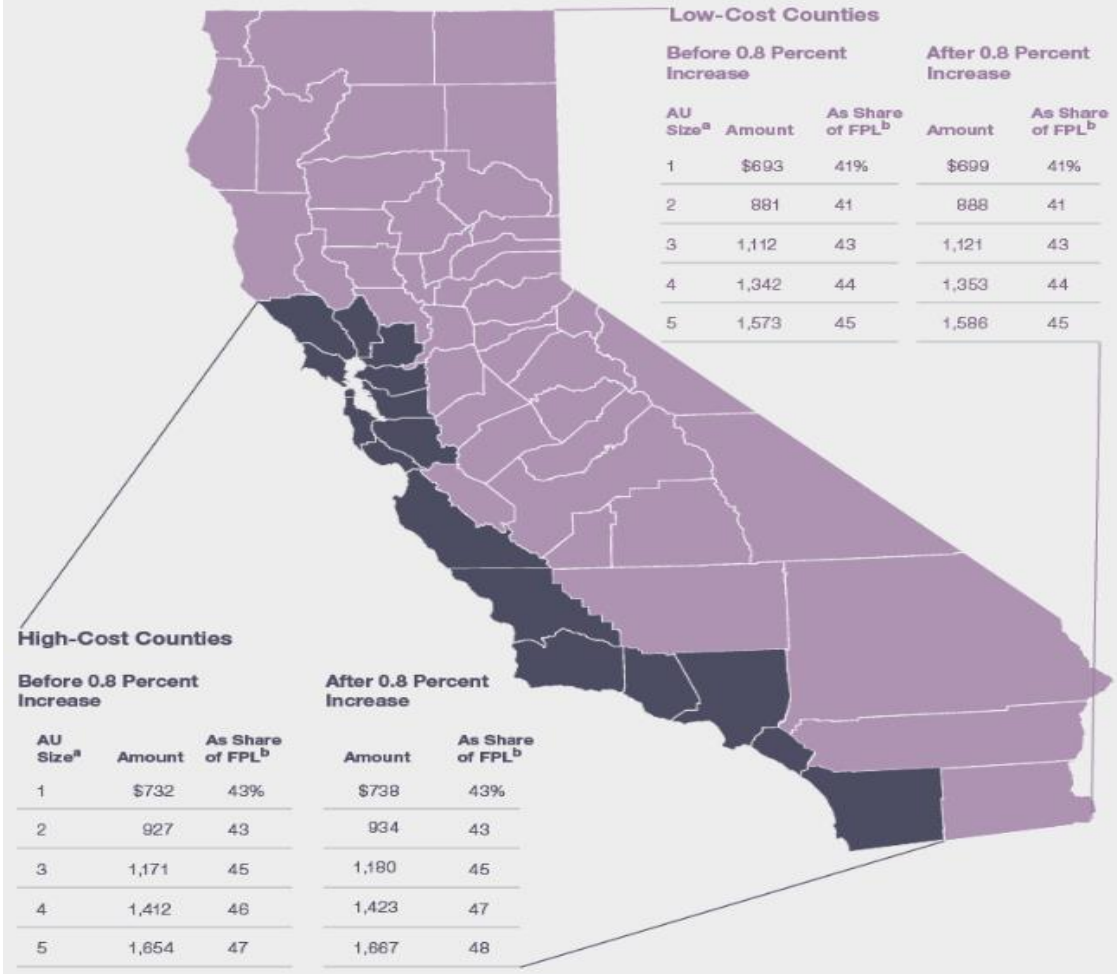
According to the LAO, family members may be ineligible for CalWORKs for several reasons. Most commonly, people are ineligible for CalWORKs because they (1) exceeded the lifetime limit on aid for adults (currently 60 months), (2) currently are sanctioned for not meeting some program requirements, or (3) receive Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefits (state law prohibits individuals from receiving both SSI/SSP and CalWORKs). Additionally, individuals may be ineligible due to their immigration status.[10]

[9] LAO
[10] LAO

Majority of CalWORKs Families Live in Deep Poverty. Because about 60 percent of the CalWORKs caseload does not include the full family size in the AU, the Legislature set a goal in the 2018 Budget Act to increase CalWORKs grants to 50 percent of the federal poverty level (FPL) for a family that is one person larger than the AU size (to account for CalWORKs households in which the actual family size is larger than the CalWORKs AU). 50 percent of FPL is used as a measure of deep poverty. Despite significant grant increases in recent years, including a 10 percent grant increase which was made permanent in the 2023 Budget Act, current grant levels (including the 0.8 percent grant increase) still leave most CalWORKs families living in deep poverty, as shown in the LAO figure below.

Figure 4

Governor's Budget Estimates 0.8 Percent Increase to CalWORKs Grants



Low-Cost Counties

AU Size[a]	Before 0.8 Percent Increase: Amount	Before 0.8 Percent Increase: As Share of FPL[b]	After 0.8 Percent Increase: Amount	After 0.8 Percent Increase: As Share of FPL[b]
1	$693	41%	$699	41%
2	881	41	888	41
3	1,112	43	1,121	43
4	1,342	44	1,353	44
5	1,573	45	1,586	45

High-Cost Counties

AU Size[a]	Before 0.8 Percent Increase: Amount	Before 0.8 Percent Increase: As Share of FPL[b]	After 0.8 Percent Increase: Amount	After 0.8 Percent Increase: As Share of FPL[b]
1	$732	43%	$738	43%
2	927	43	934	43
3	1,171	45	1,180	45
4	1,412	46	1,423	47
5	1,654	47	1,667	48

[a] Assistance unit size is the number of family members who are eligible for CalWORKs.
[b] Share of 2024 federal poverty guideline for a family size that is one person larger than the AU size.
AU = assistance unit and FPL = federal poverty level.

LAO

Widespread Opposition to Governor's Proposed Cuts to CalWORKs. A broad coalition of organizations representing CalWORKs stakeholders including advocates, county human services agencies, social workers, and parents are opposed to the Governor's proposed cuts to CalWORKs, noting that these programs will take away vital services for children living in deep poverty.

Subcommittee Staff Recommendation and Comment – Hold Open. As noted by the LAO, some of the Governor's proposed cuts to CalWORKs programs, such as Family Stabilization and Subsidized Employment, begin in 2023-24 and are unlikely to materialize in full as these programs are serving people presently. Therefore the savings scored for 2023-24 are likely not accurate.

Subcommittee staff notes that while the Governor's budget proposes many solutions to address the budget shortfall, the several proposed cuts to CalWORKs programs amount to full and permanent eliminations of long-term programs that by their nature serve the poorest families in the state. The majority of CalWORKs families include children living below 50 percent of the poverty line. The CalWORKs Family Stabilization Program specifically serves a subset of those CalWORKs families who are in a crisis, due to housing instability, domestic violence, or other circumstances. Eliminating services for these families could drive children and families deeper into poverty and crisis.

Finally, Subcommittee staff notes that the statutory purpose of the Safety Net Reserve is to cover the costs of increases in CalWORKs and Medi-Cal caseloads during economic downtowns. It is not a general purpose reserve. As the LAO has pointed out, while the Administration has proposed withdrawing half of the state's general-purpose Budget Stabilization Account, the withdrawal of the Safety Net Reserve would fully deplete this reserve. The Legislature rejected a partial withdrawal of $450 million from this reserve in 2023.

Questions. The Subcommittee requests DOF and CDSS respond to the following:

1. Please explain the Administration's rationale for each of the following CalWORKs cuts: elimination of Family Stabilization Program; elimination of Subsidized Employment Program; freeze of Intensive Case Management hours; and reduction of the Eligibility Component of the Single Allocation. Why were these programs selected for cuts? Why are the cuts ongoing? What effect does the Administration anticipate these cuts will have on families and children who receive CalWORKs?

2. Please describe the proposed reversion of 2022-23 funds for CalWORKs Single Allocation. Why have significant amounts (over $300 million) in Single Allocation funds been underspent in recent years?

3. Please describe how the withdrawal of the full $900 million Safety Net Reserve meets the statutorily defined purpose of the Safety Net Reserve. How is this supporting the CalWORKs caseload? How would the Administration handle an increase in CalWORKs caseload in the near future with no reserve to draw down? Does the Administration have plans to replenish the Safety Net Reserve?

Issue 2: Federal CalWORKs Pilot Program

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Kim Johnson, Director, CDSS and Emily Marshall, Finance Budget Analyst, Department of Finance
- Sonia Schrager Russo, Fiscal & Policy Analyst, Legislative Analyst's Office
- Joy Perrin, Parent Advocate, Student Parents Are Reimagining CalWORKs (SPARC) and CalWORKs Association
- Andrew Cheyne, Managing Director of Public Policy, GRACE/End Child Poverty California

New Federal TANF Pilot Program – Governor's Budget. The federal Fiscal Responsibility Act of 2023 (FRA) allows up to five states to participate in a pilot to promote accountability and test alternative benchmarks for work and family outcomes in lieu of the Temporary Assistance for Needy Families (TANF) Work Participation Rate (WPR). States will be held accountable for their performance on employment and earnings outcomes and, at the option of the Health and Human Services Secretary, measures of family well-being. Pilot projects could last for up to six years, including the time needed to establish the performance benchmarks. States in the pilot will not have to meet the WPR during implementation of the pilot and will have more flexibility to design programs and services to address families' individual circumstances and improve outcomes.

As recommended in the Report Regarding WPR and California Work Opportunity and Responsibility to Kids (CalWORKs) Outcomes and Accountability Review (Cal-OAR) Optimization, submitted to the Legislature in September 2023, California plans to apply as a pilot state to reform CalWORKs accountability tools and improve outcomes for families.

In November 2023, the federal Administration for Children and Families (ACF) released a Request for Information (RFI) seeking input on the FRA pilot design and selection criteria, as well as implementation considerations for the work outcome measures. CDSS convened a group of interested partners in December 2023 to discuss the FRA pilot opportunity and work outcome measures, as well as to gather input in response to the RFI. CDSS responded to the RFI, providing input on the pilot design and work outcome measures drawing from experience implementing Cal-OAR.

CDSS anticipates ACF will release guidance on the pilot design and application requirements in spring 2024. Once further guidance is received, CDSS will again convene interested partners for a generative conversation to inform California's FRA pilot proposal. Key dates for the pilot include:

- Spring 2024: Administration for Children and Families will release guidance and pilot application
- Summer 2024: states will be selected to participate in the pilot
- October 1, 2024: Pilot launch and baseline data collection begins
- 2026-2030: Pilot operates
- 2031-2032: Final pilot data reported

Background on Work Participation Rate (WPR). Federal funding for CalWORKs is part of the TANF block grant program. TANF currently requires states to meet a work participation rate (WPR) for all aided families, or face a penalty of a portion of their block grant.

Federal formulas for calculating a state's WPR have been the subject of much criticism. For example, the federal government does not give credit for a significant number of families who are partially, but not fully, meeting hourly requirements. California has sometimes struggled to meet its federal WPR target, and has been required to submit appeals and corrective action plans at times, but has never had to pay a WPR penalty in the history of the CalWORKs program. Current state law requires counties that miss federal WPR rates to pay half of any financial penalty the state may receive for not meeting the federal WPR.

California Budget and Policy Center Report on the WPR. A recent report by the California Budget and Policy Center, "Harmful Obstacles: CalWORKs Work Participation Rate (WPR) Penalty," found that the CalWORKs WPR penalty undercuts state reforms focused on supporting families.[11] According to this report, "state CalWORKs policy continues to threaten counties with financial penalties tied to the federally defined WPR, incentivizing counties and caseworkers to direct CalWORKs participants away from supportive activities to address barriers that do not fully count toward meeting the federal WPR." Some findings from this report are included below:

- CalWORKs parents are predominantly women, people of color, and parents of young children. CalWORKs parents face a labor market in which gender- and race-based discrimination are ongoing, as well as workplace expectations and practices that make it difficult for parents to balance work with caregiving responsibilities. Nearly half of CalWORKs households have not completed high school, and many CalWORKs parents are negatively affected by mental health issues, substance use, and domestic abuse, which all impact employment prospects and family well-being.

- California has made many changes focused on supporting families in the CalWORKs program. Some of these changes include establishing broader CalWORKs participation standards that are distinct from federal standards, which include no rigid time limits on activities to address barriers to employment or advance education. The state has also adopted an evidence-based behavioral approach to guide families in setting goals (CalWORKs 2.0); created more holistic outcome measures to evaluate the program (the California CalWORKs Outcome and Accountability Review or Cal-OAR); and implemented a voluntary home visiting program to support family health. However the continued threat of county penalties associated with the WPR hinders full implementation of these family-focused reforms.

- Under the WPR, the federal government defines success for state TANF programs not based on how well the programs meet families' needs, but only based on whether programs meet specific WPR targets, determined by the percentage of parents receiving assistance that are engaged in a narrowly defined set of welfare-to-work activities. These federal activities focus on getting parents into paid employment as quickly as possible, despite the fact that such work requirements have racist and sexist roots and research suggests they do not lead to meaningful long-term

[11] Sara Kimberlin, "Harmful Obstacles: CalWORKs Work Participation Rate Penalty," California Budget and Policy Center, February 2023.

improvements in employment and are linked to increases in deep poverty. The federal WPR does not acknowledge the value of fully supporting parents to address education and health barriers. Many activities to address barriers faced by large shares of CalWORKs participants – that the state approves without time limits for participants to meet state CalWORKs participation expectations – do not fully count toward meeting the federal WPR.

- Threatening to penalize counties financially for not meeting federal WPR targets creates an incentive for counties to direct parents away from activities to address barriers that may be their best investments to improve stability and long-term employment prospects – and toward more narrowly-defined "work-first" activities that may not be in families' best long-term interests but will meet rigid federal WPR criteria. This financial penalty policy therefore works at cross-purposes with extensive recent CalWORKs reform efforts. Repealing this policy could better align state policy with the CalWORKs program's current focus, facilitating full implementation of strategies designed to effectively support parents and families in securing long-term stability and well-being.

- Additional state changes to CalWORKs program rules could extend recent reforms to further bolster support for parents and children. Examples include:
    - Continuing to increase the size of cash grants to enable families to cover their costs to meet basic needs,
    - Expanding policies and practices that help parents avoid and quickly resolve sanctions that reduce access to cash grants,
    - Reducing sanction penalties in order to minimize negative impacts on child and parent basic needs and well-being, and
    - Recognizing county performance that demonstrates strong participant engagement and effectively identifies and addresses participant barriers.

California Budget and Policy Center Report on the Effect of CalWORKs Sanctions. In April 2023, the California Budget and Policy Center released an additional report on the effect of sanctions in the CalWORKs program. This report found that sanctions, which penalize CalWORKs parents who are not meeting program requirements by reducing their monthly grants, have the effect of pushing about 60,000 children per month deeper into poverty.[12] This report found:

- On average, the families of 60,000 children are affected by sanctions each month.

- For typical CalWORKs single-parent families, sanctions can cut monthly grants by about $120, and a single-parent family with two children can lose up to $235 each month. If a family's grant is reduced for an entire year, they can lose up to $2,820 annually – or about one-fifth of the total income they would otherwise receive from CalWORKs to pay for their basic needs.

- Research shows that sanctioned recipients are often those who face the most barriers to employment and do not fully understand the sanctions process due to limited education, learning disabilities, or mental health problems.

[12] Sara Kimberlin and Monica Saucedo, "Reforming CalWORKs Sanctions Can Better Support Children and Families," California Budget and Policy Center, April 2023.

This report recommends that as California moves to reimagine the CalWORKs program to better support participants, building on recent state reforms including CalWORKs 2.0 and Cal-OAR, and reconsidering the WPR penalty pass-on structure, it must also consider the negative impact of sanctions on families.

Background on CalWORKs 2.0. CalWORKs 2.0 is an initiative led by counties and the County Welfare Directors Association of California (CWDA) to encourage counties to develop and utilize a goal-achievement service delivery framework and an intentional service selection approach within CalWORKs. CalWORKs 2.0 focuses on helping people set and achieve their goals, requiring a flexible environment that shifts from compliance-oriented to a more participant-led focus. The design of CalWORKs 2.0 is based on research that shows the benefits of prioritizing the goals of family stability and individualized success.

Background on CalWORKs Outcomes and Accountability Review (Cal-OAR). Initiated in 2017 and implemented in 2021, Cal-OAR takes an outcome-driven approach that facilitates continuous improvement of county CalWORKs programs by collecting, analyzing, and disseminating outcomes and best practices for participant achievement. This program makes staff and participant collaboration central to the improvement efforts undertaken by county welfare departments, with the intent to incorporate policy changes for more equitable outcomes for all participants.

Cal-OAR consists of three core components: 26 performance measures, a county CalWORKs self-assessment, and a county CalWORKs system improvement plan. The Cal-OAR Continuous Quality Improvement (CQI) cycles take place over a five-year period. The Cal-OAR performance measures follow the clients' experiences during their time in CalWORKs through one year post aid, assessing a wide variety of process and outcome data points, including client access to supportive services, educational completion, and engagement in activities, like work, education, and other activities that support the client's goals and lead towards self-sufficiency. The performance measures evaluate the effectiveness of the interventions in improving service delivery and client outcomes. The 26 measures provide a comprehensive look at the client experience throughout their time receiving CalWORKs. Presently, 12 of the 26 performance measures are hosted publicly on the Cal-OAR Data Dashboard for each of the 58 counties and statewide, and the remaining performance measures are still in development and will be available in mid-2026.

Background on WPR Workgroup. The 2022 Budget Act requires CDSS to consult with a stakeholder workgroup to develop recommendations to address the state's emphasis on the federal WPR and penalty pass-on structure, while optimizing implementation of the first cycle of the Cal-OAR process. This report was due on April 15, 2023 and was submitted in September 2023. According to this report, major takeaways from the workgroup members included:

- A strong desire from the workgroup for a full repeal of the WPR penalty pass-on.

- Accountability in the form of Cal-OAR performance measures or other metrics to be further explored and established.

- Reducing the harm caused by sanctions, with workgroup members noting that any repeal of the penalty pass-on structure and/or changes in county accountability should be equitably paired with

a revision of the sanction policy in recognition that reducing a family's income does not support its economic stability.

- Reducing the financial impact and duration of sanctions for families.

LAO Comment on FRA Impacts to CalWORKs. The LAO has released a comprehensive analysis on the FRA's impacts to CalWORKs, which is available on the LAO's website. Among other things, the LAO finds that because California's CalWORKs caseload has declined by almost 40 percent since 2014, the federal structure of TANF provides a "caseload reduction credit" that has the effect of lowering the state's WPR requirements. The caseload reduction credits are anticipated to lower California's WPR to zero or near-zero. "In recent years, California has broadened its CalWORKs goals to include program outcomes focused on long-term employment and family well-being, which do not always align with core WTW activities. However, as mentioned, the WPR requirements include potential financial penalties. While DSS and counties are required to collect and submit WPR-related data to the federal government regardless of where California's WPR targets fall, the reduction credit rebase may lessen the pressure on the state and counties to meet higher WPR targets. In doing so, it may present an opportunity to shift some of the state's focus towards other desired outcome measures or goals for the CalWORKs program."[13]

Stakeholder Proposal to Use Federal TANF Pilot as Foundation for Broader CalWORKs Reform. A coalition including the CalWORKs Association/Student Parents Are Reimagining CalWORKs (SPARC), Coalition of California Welfare Rights Organizations, GRACE/End Child Poverty California, Parent Voices, and Western Center on Law and Poverty, proposes trailer bill language to expand on the Governor's proposal to apply for the new federal opportunity to pilot alternatives to the WPR in CalWORKs by making program changes proven to achieve progress in family outcomes, including: (1) limit family sanctions to federal requirements; (2) empower families to self-determine their goals and participation activities; (3) ensure access to child care and all supportive services; and (4) permanently repeal the county WPR penalty pass-through. According to this coalition, "In setting aside the WPR and adopting real benchmarks for family outcomes, the pilot aligns with Reimagine objectives to support rather than punish families facing the greatest barriers and provide meaningful pathways out of poverty… if embraced, the pilot presents a critical opportunity to refocus CalWORKs away from financial sanctions on counties and participants that fuel a punitive, compliance orientation. This aligns with the goals of Cal-OAR and CalWORKs 2.0 and improving government service delivery. The pilot can rebuild community trust by empowering parents to make the best decisions for their families and allowing administrators to center CalWORKs on meeting the needs of families, making them healthier, stronger, and more resilient."

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests CDSS/DOF respond to the following questions:

1. Please describe the opportunity to apply for a pilot program to test alternative measures to work and family outcomes in TANF. What makes California a good candidate to be one of the five states chosen to participate in the WPR Alternatives pilot program?

[13] LAO

2. What alternatives is CDSS considering as measures of work and family outcomes? Once alternative measures are selected, how would the Administration ensure progress is being made in those areas being measured?

3. What were the key findings and recommendations of the 2022 WPR Workgroup to address the state's emphasis on the WPR?

4. If the Governor's budget proposals to eliminate CalWORKs Family Stabilization and Subsidized Employment programs were approved, how would the state make progress on the measures of family well-being and long-term stability that the state intends to measure, under both Cal-OAR and the federal WPR Alternatives pilot program?

Issue 3: Governor's Proposed Cuts to CDSS Programs Serving Immigrants

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Eliana Kaimowitz, Acting Office of Equity Director, CDSS and Thomas Locke, Finance Budget Analyst, Department of Finance
- Juwan Trotter, Fiscal and Policy Analyst, Legislative Analyst's Office
- Jackie Gonzalez, Policy Director, Immigrant Defense Advocates
- Kate Clark, Senior Director of Immigration Services, Jewish Family Service of San Diego

Cuts to CDSS-Administered Programs Serving Immigrants – Governor's Budget. The Governor's budget proposes cuts and eliminations to two immigration programs administered by CDSS. These cuts include:

- **Elimination of funding for Temporary Protected Status (TPS) Services Program.** The Governor's budget proposes to eliminate $10 million for the TPS Services Program, which provides supportive services for TPS individuals and unaccompanied minors. The Governor's budget begins this cut in 2023-24 and ongoing.

- **Reduction to California State University (CSU) Legal Services.** The Governor's budget proposes to significantly reduce funding for CSU Immigration Legal Services by $5.2 million, leaving $1.8 million for this program, beginning in 2023-24.

In addition to new cuts, the Governor's budget also does not fund programs which have been funded in previous budgets with one-time funding. This includes:

- **Rapid Response Program.** The Rapid Response program is operated through grants or contracts to entities that provide critical assistance to immigrants, primarily for humanitarian response at the southern border and for natural disaster response. This program has been funded with one-time funding in the 2021, 2022, and 2023 Budget Acts, however no funding for Rapid Response is included in the Governor's 2024-25 budget.

- **Children Holistic Immigration Representation Project (CHIRP).** CHIRP provides holistic legal advocacy for unaccompanied children, with an emphasis on trauma-informed intervention to ensure that unaccompanied minors have both legal services and appropriate care. Each youth is assigned a fully integrated team that includes an attorney and a social services staff member (either a social worker or a case manager) to accompany them throughout the case. CHIRP was funded in the 2021 Budget Act.

Background on CDSS Immigration Services. The state has funded some level of immigration services at CDSS since 2015-16. According to the LAO, "although the state has provided some level of funding for immigration services since 2015-16, ongoing General Fund support of $45 million has been provided since 2017-18. By providing funding to a statewide network of nonprofits (93 organizations funded in 2022-23), the Immigration Services Funding (ISF) program provides free services to immigrants under three broad categories: (1) legal services, (2) education and outreach, and (3) legal training and technical

assistance. In addition to this base funding, the department has received one-time, temporary funding for other immigration and equity programs detailed in Figure 1. As shown in the figure, many previously state funded programs designed to support immigrant populations are set to expire in the budget year. Additionally, the Governor's budget proposes a few reductions to immigration and equity programs."[14] The LAO chart below provides a summary of major immigration and equity programs under the 2024-25 Governor's budget.

Figure 1

Major Immigration and Equity Programs Under 2024-25 Governor's Budget

General Fund (in Millions)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Ongoing
Immigration Services	$45	$45	$45	$45	$45	$45	$45
Temporary Protected Status Immigration Services[a]	10	10	10	10	—	—	—
CSU Immigration Legal Services[b]	7	7	7	7	1.8	1.8	1.8
Rapid Response	24.3	37.1	105	175	150	—	—
Stop the Hate	—	—	30	40	80	—	—
Legal Services for Unaccompanied Undocumented Minors	3	3	3	3	3	3	3
Opportunities for Youth	5	—	4.7	—	5	—	—
Storm Assistance for Immigrants	—	—	—	—	11.7	—	—

[a]Reflects the 2024-25 budget proposal to reduce funding by $10 million in 2023-24 and on-going.

[b]Reflects the 2024-25 budget proposal to reduce funding by $5.2 million in 2023-24 and on-going.

Source: LAO

Background on Temporary Protected Status (TPS) Services Program. Since 2018-19, the state has provided an annual allocation of $10 million General Fund to supplement ISF services and specifically support hard-to-reach populations through the TPS immigration services program. This program provides services beyond those for TPS individuals, including funding to increase the capacity to support Black immigrants, Asian American and Pacific Islander (AAPI) immigrants, and those facing deportation proceedings. TPS immigration services provides legal training and technical assistance to county public defender offices, removal defense services, and legal services for deported veterans.[15]

As noted by the LAO, the individuals who qualify for funding under the TPS program could be supported through the base ISF program, however overall capacity to serve immigrants across the ISF program would be limited given the elimination of TPS funding.

Background on CSU Immigration Legal Services. As noted by the LAO, since 2018-19, the state has provided an annual allocation of $7 million General Fund to provide immigration legal services at all 23 CSU campuses through the California State University Immigration Services Project. These funds are

[14] Legislative Analyst's Office, "The 2024-25 Budget: Department of Social Services Immigration and Equity Programs," March 15, 2024.
[15] LAO.

allocated to CDSS, who contracts with legal service organizations to provide these services generally free of charge to students, staff, and faculty, as well as, immediate family members, alumni within two years of graduation, and students intending to enroll. Services include legal consultations and representation in court and administrative proceedings.[16]

The Governor's budget proposes a reduction of $5.2 million to CSU Immigration Legal Services in 2023-24 and ongoing, leaving $1.8 million in ongoing funding for this program. Since 2018-19, this program has awarded over $27 million to six nonprofit organizations that have provided direct legal services to over 19,000 individuals, as well as education and outreach services to over 20,000 individuals. The proposed reduction in funding will reduce the number of individuals served. The department has stated that they will work together with the CSU Chancellors office and partnered legal service providers to assess the program design and determine the most effective service delivery model moving forward.[17]

Background on Rapid Response Funding. Since 2019, California Welfare and Institutions Code (WIC) 13400-13409 authorize CDSS to administer a rapid response program to award grants or contracts to entities that provide critical assistance to immigrants during times of need. CDSS has used the funding to address immigrant needs arising from changes in federal immigration policies, increased migrant arrivals at the Southwest border, as well as reoccurring natural disasters impacting California immigrants ineligible for federal assistance. The chart below, provided by the LAO, provides examples of recent programs funded under the Rapid Response program.

Examples of Recent Rapid Response Funded Programs

(Dollars in Millions)

Program	Total Awarded Funding	Services	Population Served	Dates Served
Border Shelter Services for Immigrants project	$186.1	Shelter, medical, and other wrap-around services	Over 500,000 migrants	Between April 1, 2021 and December 31, 2023
Ukrainian Support Services project	2.0	Temporary housing and case management services	662 Ukrainian new comers	Between August 1, 2022 and September 31, 2023
Haitian Integration Support Services project	2.6	Case management services	1,175 Haitian immigrants	DSS estimate of those to be served by June 30, 2025
Storm Assistance for Immigrants project[a]	88.2	General support	55,000 individuals (35,000 households) impacted by the winter storms	Between June 2023 and February 2024

[a]Rapid Response Funding includes $80 million in addition to $11.7 million allocated in 2023-24 budget.

DSS = Department of Social Services.

Source: LAO

[16] LAO
[17] LAO

The chart below provides a summary of appropriations in the 2021, 2022, and 2023 Budget acts for the Rapid Response program:

RAPID RESPONSE BUDGET SUMMARY

State Fiscal Year	Budget Allocation	Total Awarded Funding
2021-22 (to date)	$105,200,000	$105,200,000
2022-23 (to date)	$175,000,000	$167,626,304
2023-24 (to date)	$150,000,000	$150,000,000
TOTAL	**$430,200,000**	**$422,826,304**

Source: CDSS

Without additional funding in the 2024-25 budget, Rapid Response Program services would be discontinued.

Stakeholder Opposition to Governor's Proposed Cuts to Immigration Services. Many stakeholders, including the Cal State Student Association, the California Immigrant Policy Center, and a coalition of over 70 immigrant rights advocates, legal and social services providers, and community-based organizations are opposed to the Governor's proposed cuts to immigration programs. The coalition notes that "immigration legal services are critical for the prosperity of our immigrant community and the future of our state. Immigration legal services provide immigrants a pathway to family unity, community integration and economic success. It can mean the difference between losing a parent to deportation or having a young person attain higher education."

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. Please explain the Administration's rationale for cutting the TPS Services and CSU Legal Services Programs. Why were these programs selected for elimination and reduction?

2. How would these cuts affect the overall capacity of the state-supported immigration legal services network, in terms of individuals directly served? Could these reductions result in individuals with current cases losing access to their attorneys?

3. Please provide an update on the CHIRP. What is the impact of the program ending without additional funding?

4. The Governor's budget does not include funding for Rapid Response, despite one-time funding in the 2021, 2022, and 2023 Budget Acts. What is the anticipated effect of not providing Rapid Response funding in 2024-25? How will this affect humanitarian assistance at the southern border?

Issue 4: EBT Theft

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Ryan Gilette, Deputy Director of Research, Automation, and Data Division, CDSS and Emily Marshall, Finance Budget Analyst, Department of Finance
- Sonia Schrager Russo, Fiscal & Policy Analyst, Legislative Analyst's Office
- Gilbert Ramos, Human Services Deputy Executive Officer, San Bernadino County
- Kevin Aslanian, Coalition of California Welfare Rights Organizations
- Carniece Woodson, Parent Advocate, Student Parents Are Reimagining CalWORKs (SPARC) and CalWORKs Student Association

EBT Theft Continues to Impact Public Benefits Recipients. Since October 2021, California has seen a significant increase in EBT theft, which is a nationwide problem. CDSS has implemented a variety of theft mitigation strategies and is actively collaborating with federal, state, and local law enforcement on the investigation of criminal activity related to EBT theft. One of the key causes of this theft is that EBT cards have outdated technology and are not chip-enabled, making CalFresh, CalWORKs, and CAPI recipients particularly vulnerable to skimming theft relative to other cardholders.

Fiscal Impact of EBT Theft. When benefits are stolen, recipients are entitled to replacements benefits, which are funded by a combination of state and federal funds. The administration projects this theft will cost the state over $260 million total funds ($196 million General Fund) to provide and administer reimbursements in 2023-24.[18] Counties are required to issue replacement benefits within 10 days of the request. The federal authority to restore benefits expires on September 30, 2024.

Efforts to Improve EBT Card Technology. The 2023 Budget Act includes $50 million ($17.1 million General Fund) in 2023-24, $23 million ($7.9 million General Fund) in 2024-25, and $3.5 million ($1.2 million General Fund) in 2024-25 for EBT upgrades to safeguard CalWORKs and CalFresh clients' access to benefits, including card technology enhancements.

The Governor's budget for 2024-25 includes $65.8 million ($20.4 million General Fund) in 2023-24 and $10.7 million ($3.5 million General Fund) in 2024-25 to improve EBT card technology and security. The proposal shifts about $16 million from 2024-25 and 2025-26 to the current year. This funding shift is due to expedited implementation; the projected multiyear cost remains unchanged. The administration currently anticipates that, beginning in summer 2024, EBT cards will be issued with chip and tap-to-pay technologies, which provide improved fraud protection over magnetic stripe technology.[19]

Efforts to Address and Investigate EBT Theft. The 2022 Budget Act included funding for four positions to monitor, investigate, and support criminal prosecution of EBT theft. Over 2022, CDSS completed the roll-out of CVV cards, which resulted in a significant decrease in scamming, but do not protect cards from being skimmed and cloned, which is the pervasive method of theft occurring currently. CDSS is one of

[18] Legislative Analyst's Office, "The 2024-25 Budget: Food Assistance Programs," February 16, 2024.
[19] LAO

many agencies involved in addressing and investigating EBT theft, among local, state, and federal law enforcement.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. Please describe how EBT Theft is impacting CalWORKs, CalFresh, and other public benefits recipients. How many households have had their benefits stolen? What was the total General Fund cost of replacing stolen EBT benefits in 2022-23 and 2023-24? Please also explain federal changes that cover some costs of benefits replacement and the limitations on federal funding for EBT replacement.

2. Please provide an update on the roll-out of EBT technology improvements including chip-enabled cards. What is the long-term plan for EBT card security to provide equitable protection to households accessing CalFresh and CalWORKs?

3. How is the department using resources appropriated in prior budgets to investigate instances of EBT theft?

4. What changes have CDSS and counties made to make it quicker and easier for individuals whose benefits have been stolen to receive reimbursement?

5. Is there any process for recovering stolen Summer EBT benefits?

PUBLIC COMMENT ON ISSUES 1-4

Issue 5: CalFresh and Food Programs Overview

Governor's Budget for CalFresh and Food Programs. The Governor's revised 2023-24 budget for CalFresh administration, which includes P-EBT and Summer EBT, includes $3.2 billion ($1.1 billion General Fund), representing an increase of $23.9 million total funds and a decrease of $3.4 million General Fund from the Budget Act of 2023. In 2024-25, CalFresh administration includes $3 billion ($1 billion General Fund), which represents a projected decrease of $146.2 million ($14.7 million General Fund) from the Budget Act of 2023. The decrease reflects the end of P-EBT, reductions in federal food bank expenditures, and fewer food benefit theft claims due to upgraded security for EBT cards.

CALFRESH AND FOOD ASSISTANCE

Funding (millions)	FY 2023-24 Appropriation	FY 2023-24 Revised Budget	FY 2024-25 Governor's Budget	FY 2023-24 Change from FY 2023-24 Appropriation	FY 2024-25 Change from FY 2023-24 Appropriation
Total*	$17,590.8	$18,339.0	$15,797.6	$748.2	-$1,793.2
Federal	15,894.5	16,625.4	14,126.7	730.9	-1,767.8
State	1,288.8	1,291.0	1,254.3	2.2	-34.5

*The total includes county funds and federal benefits not reflected in the budget.

Source: CDSS

Federal benefits, which are not included in CDSS state operations or local assistance budgets, include a 3.58 percent Cost-of-Living Adjustment (COLA) for Maximum Allotments beginning October 1, 2023, and are expected to be approximately $14.9 billion in 2023-24 and $12.5 billion in 2024-25. The estimated impact of the COLA is $311.2 million in 2023-24 and $418.4 million in 2024-25. The year-over-year decrease in estimated benefits reflects the end of Pandemic Electronic Benefit Transfer (P-EBT) offset by the introduction of Summer Electronic Benefit Transfer (EBT).

California Food Assistance Program. The California Food Assistance Program (CFAP) benefits, which include the 3.58 percent COLA, are expected to be approximately $98.9 million General Fund in 2023-24 and $110.3 million General Fund in 2024-25. The estimated impact of the COLA is $2.6 million in 2023-24 and $3.8 million in 2024-25.

Background on CalFresh. CalFresh is California's version of the federal Supplemental Nutrition Assistance Program (SNAP), an entitlement program that provides eligible households with federally funded monthly benefits to purchase food. CDSS oversees the CalFresh program and each county is responsible for local administration. CalFresh food benefits are 100 percent federally funded. CalFresh administration costs are funded with 50 percent federal funds, 35 percent General Fund, and 15 percent county funds, except for state-mandated program changes. CalFresh food benefits are issued through an EBT card which cardholders can use at point-of-sale terminals authorized by the United States Department of Agriculture, Food and Nutrition Service (FNS). Grocers and other retailers are paid directly by the federal government for the dollar value of purchases made with CalFresh food benefits. Monthly benefits per household vary based on household size, income, and deductible living expenses—with larger households generally receiving more benefits than smaller households and relatively higher-income households generally receiving fewer benefits than lower-income households.

In 2022-23, about 5.1 million Californians received a total of $14.5 billion in CalFresh benefits, all of it federally funded, for an average monthly benefit of about $185 per recipient.[20]

CalFresh Caseload. The average monthly CalFresh caseload is estimated at 3.1 million households in 2023-24 and 2024-25. As noted by the LAO, CalFresh and CFAP caseload have increased over 40 percent since the beginning of 2019-20. The chart below summarizes the CalFresh and CFAP budget.

CalFresh and CFAP Budget Summary

(Dollars in Millions)

	2023-24 Revised[a]	2024-25 Proposed	Change From 2023-24 Revised to 2024-25 Proposed	
			Amount	Percent
CalFresh Households	3,054,600	3,085,200	30,600	1%
CFAP Households	23,800	26,300	2,500	11%
Benefits				
CalFresh Benefits[b]	$11,884	$12,107	$223	2%
CFAP Benefits[c]	99	110	11	12
Subtotals	**($11,983)**	**($12,218)**	**($235)**	**(2%)**
Administration				
Federal Share	$1,295	$1,276	-$19	-2%
State Share	962	939	-23	-2
County Share	368	362	-6	-2
Subtotals	**($2,626)**	**($2,577)**	**(-$48)**	**(-2%)**
Totals	**$14,609**	**$14,795**	**$186**	**1%**

[a]An additional $2.9 billion in federal funds were appropriated in 2023-24 for temporary pandemic Electronic Benefits Transfer benefits and associated administration and automation costs.

[b]CalFresh benefits are 100 percent federally funded. The Governor's budget estimates an average monthly benefit of $316 per household. CalFresh benefits also include replacement benefits.

[c]CFAP benefits are 100 percent General Fund. The Governor's budget estimates an average monthly benefit of $337 per household. CFAP benefits also include replacement benefits.

CFAP = California Food Assistance Program.

Source: LAO

[20] LAO

CFAP Expansion. Implementation of the expansion of CFAP to include previously ineligible immigrants age 55 and older is expected in October 2025. The 2023-24 spending plan included $40 million General Fund for automation and outreach associated with the expansion. The Governor's 2024-25 budget proposal shifts some of these funds to 2024-25 and also provides refined automation cost estimates. The budget includes about $11 million General Fund in 2023-24 and about $23 million General Fund in 2024-25 for outreach and automation. Because implementation of the benefit is not expected to occur until 2025-26, the Governor's 2024-25 budget does not include General Fund costs to pay for this benefit.[21]

CalFresh Minimum Nutrition Benefit Pilot Program. The 2023 Budget Act includes $15 million one-time and trailer bill language establishing the California Minimum Nutrition Benefit pilot program, which will provide some CalFresh households with a state supplement to raise the current minimum benefit from $23 to $50.

CalFresh Fruit and Vegetable Pilot Program. The 2023 Budget Act includes $9.9 million General Fund one-time to extend the California Fruit and Vegetable EBT Pilot Project. This project, which provides rebates when CalFresh participants purchase fruits and vegetables at participating retailers, has proven to be more successful and popular than anticipated and CDSS projects ending the program in April due to lack of funds to continue offering the program.

CalFood Program. The CalFood program allocates funding to California's network of food banks to purchase food primarily sourced from California. This funding is vital for food banks to secure food and reduce supply chain issues as demand for food continues at pandemic highs. The 2022 Budget Act included $112 million General Fund total for the CalFood program in 2022-23 and the 2023 Budget Act approved an additional $52 million General Fund in 2023-24 above the program's baseline budget ($8 million). In 2024-25, the CalFood budget reduces to the baseline of $8 million.

Able-Bodied Adults without Dependents (ABAWD) Federal Rule. Since the 1996 federal welfare reform, someone receiving SNAP (CalFresh in California) who is determined to be an "Able-Bodied Adult Without Dependents," or ABAWD, is only allowed three months of CalFresh within a 36-month period unless they meet an exemption. California currently has a statewide ABAWD waiver in place, which is set to expire on October 31, 2024. Federal changes in the Fiscal Responsibility Act of 2023 increased the ABAWD population to newly include those ages 50-54, and included a variety of additional exemptions to the rule, which would need to be implemented and automated by CDSS and counties in the absence of an additional statewide waiver after October 2024.

Summer EBT. The 2023 Budget Act includes $47 million ($23.5 million General Fund) for outreach and automation costs to phase in a new federal Summer EBT program for children who qualify for free or reduced-price school meals beginning summer 2024. Trailer bill language requires CDSS, in partnership with the State Department of Education (CDE), to maximize participation in the Summer EBT program and to share data for the purpose of administering Summer EBT.

The Governor's budget for Summer-EBT reflects estimated federal benefits of $252.8 million in 2023-24 and $430.2 million in 2024-25. The benefit amount for 2024-25 is representative of a complete year's caseload, given that issuances each summer are anticipated to overlap two fiscal years. Summer EBT was recently established as a new permanent federal program under the Consolidated Appropriations Act of 2023. California opted to participate at the earliest permissible date. Accordingly, operations for summer

[21] LAO

2024 are subject to USDA guidance for early implementation, and planning is ongoing. Operations for subsequent summers will be subject to the Interim Final Rule, released December 29, 2023.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed. Subcommittee staff notes that while the Governor's budget does not include any cuts to CalFresh under CDSS, it does include a proposal to eliminate funding for the California Nutrition Incentive Program (CNIP), which is administered by the California Department of Food and Agriculture and allows for matching CalFresh benefits at farmer's markets.

Questions. The Subcommittee requests CDSS respond to the following questions:

1. Please provide an update on the state's ABAWD waiver and efforts to streamline and automate recent federal changes to ABAWD exemptions. What is the timeline for both the federal waiver process and the automation of exemptions?

2. Please provide an update on the CalFresh Fruits and Vegetables Program and when this program will run out of funds.

3. Please provide an update on Summer EBT implementation. Are CDSS and CDE on track to maximize the first year of Summer EBT? What resources or infrastructure are needed to fulfill newly released federal Summer EBT requirements, including standing up an appeals and hearings process?

Issue 6: Statewide Automated Welfare System (CalSAWS) Update

Background on California Statewide Automated Welfare System (CalSAWS). CalSAWS is the single automated case management and eligibility system supporting CDSS programs and other public benefits programs, including CalWORKs, CalFresh, Medi-Cal, Foster Care, and other social services. BenefitsCal is the public-facing portal and CalSAWS is the county eligibility and benefit calculation system. CalSAWS is governed by a Joint Powers Authority (JPA) representing the 58 counties. As of October 2023, all 58 counties have migrated to the single CalSAWS system.

CalSAWS Project – Governor's Budget. Funding for CalSAWS consists of state, federal, and county funds based on the sharing ratios of the various benefit programs. The total CalSAWS Project budget for 2024-25 is $346 million ($99.6 million General Fund). This is exclusive of automation projects to fund specified state or federal policy changes outside of the base CalSAWS budget. The budget for CalSAWS is summarized below:

California Statewide Automated Welfare System (CalSAWS) Project

EXPENDITURES:
(in 000s)

			FY 2023-24		
Item 141 – Automation	**Total**	**Federal**	**State**	**County**	**Reimb.**
CalSAWS Project	$355,078	$57,456	$105,758	$10,830	$181,034

			FY 2024-25		
Item 141 – Automation	**Total**	**Federal**	**State**	**County**	**Reimb.**
CalSAWS Project	$345,955	$50,543	$99,644	$14,120	$181,648

Source: CDSS

The following breakdown of the CalSAWS budget is provided by the California Health and Human Services Agency Office of Technology and Solutions Integration (OTSI).

- The CalSAWS budget for 2024-25 includes $300 million (87 percent) for general maintenance and operations. Operations for CalSAWS includes hardware, software, cloud services; technical infrastructure services such as wide area network, local area network, help desk, system performance monitoring, batch operations, and project management; personnel and legal services; print services; quality assurance services; and facilities. The remaining $46 million (13 percent of the total) accommodates system changes.

- Of the $46 million, $17.5 million (five percent) is limited to client correspondence enhancements, BenefitsCal portal mobile enhancements, and CalHEERS interface enhancements, in accordance with approved scope by State and federal sponsors. Approximately $28.6 million (8 percent) will be utilized for other changes including recurring policy maintenance.

- The CalSAWS budget for 2023-24 includes $37 million (10 percent) for migration activities. This represents seven percent of the overall migration costs with the majority of the work completed in prior years. Operations costs in 2023-24 equate to $272 million (77 percent), and $46 million (13 percent) for enhancements.

Category	SFY 24/25	%
Operations		
Hardware/Software/Cloud Services	$107,500,000	31%
Technical Infrastructure	$105,400,000	30%
Personnel & Legal Services	$51,000,000	15%
Print Services	$26,100,000	8%
Quality Assurance Services	$7,200,000	2%
Facilities	$2,800,000	1%
Subtotal	**$300,000,000**	**87%**
System Changes		
Client Correspondence	$8,100,000	2%
BenefitsCal	$6,200,000	2%
CalHEERS Interface	$3,200,000	1%
Additional System Changes	$28,600,000	8%
Total	**$46,100,000**	**13%**
Combined Total	**$346,100,000**	**100%**

The breakdown of the costs for additional system changes (eight percent in the chart above) according to historical categories is provided below.

Additional System Changes	Annual Cost	% of Total
Legislative & Recurring Policy Maintenance	$18,000,000	63%
Online Help/Training, Texting & Notifications	$2,800,000	10%
CalSAWS/BenefitsCal Integration	$2,000,000	7%
Software and Security Upgrades	$1,700,000	6%
Change Management and Communications	$1,700,000	6%
Worker-Facing System Usability Including ADA Compliance	$900,000	3%
Ancillaries (Interactive Voice Response/Contact Center/Lobby Management, Imaging)	$600,000	2%
Reports & State Requests	$600,000	2%
Bank Changes, Office Schedules, Warrant Print Updates	$300,000	1%
Total	**$28,600,000**	**100%**

2023 Budget Act – State Oversight of CalSAWS Project and Interface with Child Welfare System. The 2023 Budget Act included funding for five permanent positions across OTSI, CDSS, and Department of Health Care Services to support the CalSAWS consolidation and to direct, govern, and oversee the planning and implementation of CalSAWS. The 2023 Budget Act also included $25 million for a bi-directional interface between CalSAWS and Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) systems.

2023 Budget Act – CalSAWS Stakeholder Engagement. The 2023 Budget Act also included Supplemental Report Language requiring the Administration and CalSAWS to report on efforts to improve engagement with stakeholders to solicit and integrate their feedback into prioritization of enhancements to public-facing elements of CalSAWS. This was in response to stakeholder concerns that client and community-based organization feedback into the design of public-facing elements of CalSAWS, such as BenefitsCal, were not being considered meaningfully, leading to design issues that could have been avoided. The key elements of this report include:

- Improved processes for solicitation and incorporation of stakeholder feedback and input into prioritization of enhancements to public-facing elements of CalSAWS. The report shall consider, at a minimum, the processes for the Collaboration Model group, monthly public meetings such as the Joint Powers Authority Board and Project Steering Committee meetings, and quarterly stakeholder meetings.

- Consistent, effective communication with stakeholders to ensure meaningful, timely inclusion of their feedback and input on public-facing elements of CalSAWS. The report shall consider, at a minimum, communication among Collaboration Model group members, explanation of decision-making on enhancement inclusion and prioritization, and sharing of client and community-based organization feedback and insights with stakeholders.

- Examples of changes, enhancements, or other progress towards furthering the goal of minimizing the burden of the overall eligibility process for enrollment and retention of benefits for low-income Californians and streamlining interactions for both clients and eligibility workers, within existing technology, resources, and policy. The report shall consider, at a minimum, migration of the remaining California Work Opportunity and Responsibility to Kids Information Network (CalWIN) counties to CalSAWS, full post-migration implementation of CalSAWS and its ancillary systems as the single system, and ongoing CalSAWS and ancillary system development and operations activities.

OTSI and CalSAWS submitted this report to the Legislature in January 2024. The CalSAWS advocates noted that the report included valuable information to further support collaboration and public access to benefits. Nonetheless, in a response letter to the Legislature, the advocates raised a number of remaining issues, some of which include:

- A lack of transparency around the criteria for system enhancements to be assessed, and how county enhancements are prioritized against other needs.

- A lack of timelines for implementation of enhancements that have been prioritized by advocates.

- A lack of information about the overall design process.

- A lack of clarity on who is responsible for ensuring the requirements in WIC 10823 around stakeholder engagement are met, and who advocates should connect with.
- Workers continue to be unaware of the tech help desk and struggle to get support when they face tech issues.

The CalSAWS advocates group, represented by the California Association of Food Banks, recommends the following in their response to the Supplemental Report:

1. Provide meaningful data to demonstrate how the legislative requirement to reduce client burden is being understood and mitigated.
2. Provide a full description of the design process for BenefitsCal that identifies all the phases and steps in the process, which ones have been identified for advocates' engagement or not (and why), and the criteria for advocate engagement.
3. Develop a transparent and inclusive approach for public engagement in the County Enhancement Request Process for changes that impact the public.
4. Further transparency in the Collaboration Model by providing criteria and definitions of terms for how enhancement requests are assessed.
5. Further integrate best practices for public engagement for the Collaboration Model.
6. Update the search feature on the CalSAWS website to allow for customized searches that would ensure this resource can effectively function as a communication source.
7. Provide details on the "improved facilitation strategies and information sharing" in the Stakeholder meetings.
8. Provide an org chart or some other point in time document to clarify the individuals who are assigned to the roles and responsibilities for stakeholder engagement.

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed. Subcommittee staff notes that 2023 marked the end of the design, development, and implementation phase of the project and the transition to maintenance and operation. This includes a new vendor contract. The Legislature may wish to monitor ongoing project costs as part of this transition.

Questions. The Subcommittee requests CDSS/OTSI respond to the following:

1. Please provide an overview of the total budget for CalSAWS in 2024-25. What are the key components of the CalSAWS budget? How and when might the overall CalSAWS budget change as a result of contract changes?
2. How will the CalSAWS budget change, now that the migration of all the counties onto a single system is complete? How will the speed at which CalSAWS is able to automate new policies change, now that the migration is complete?
3. Please describe how ongoing funding and positions for OSI to direct, govern, and oversee the planning and implementation of CalSAWS has been implemented. How do OTSI and CDSS

facilitate stakeholder engagement with CalSAWS when issues regarding client experience are raised?

Issue 7: Security Architecture Compliance Assessment

Budget Change Proposal – Governor's Budget. CDSS requests $2 million General Fund one-time to meet the new IT security Zero Trust Architecture (ZTA) and Multifactor Authentication (MFA) standards defined by the California Department of Technology (CDT).

Background on New California Department of Technology (CDT) Standards. In May 2023, the CDT introduced new requirements describing MFA and ZTA standards. This letter mandates all state entities assess, plan, and implement the initial maturity stage of the five pillars as defined by the CISA ZTA Maturity Model Version 2.0 by May 2024.

Background on CDSS Information Systems Division (ISD). CDSS's Information Systems Division (ISD) provides planning and operational support, as well as information security and privacy rules and standards, application development, and support for existing and new systems. ISD manages and oversees department-wide technology activities and divisional IT projects, as well as the upkeep of state-mandated manuals and reports. ISD is also in charge of the department's enterprise architecture, technological research and analysis, and project approval document preparation guidelines.

Resource Request. According to CDSS, "while CDSS supports ZTA implementation, it is not possible for CDSS to implement all of the policy and system changes necessary by the new standards without additional resources, technology, and assistance. The requested funding will be used to perform and support the ZTA assessment which is crucial for CDSS to align with the new requirements set forth by the CDT. Additionally, this assessment will provide invaluable insights into the time, resources, and technology required to implement ZTA successfully within our organization. By conducting a ZTA assessment, we can evaluate our current identity and access management implementation and identify any gaps or vulnerabilities that may exist. This assessment will enable us to address these deficiencies promptly, ensuring compliance with the new requirements and reinforcing our security posture. By proactively assessing our organization's readiness for ZTA, we can position ourselves as leaders in compliance, mitigate potential findings, and demonstrate our commitment to safeguarding sensitive information and critical infrastructure. Implementing ZTA is a complex endeavor that involves various components, such as network architecture, identity management, data protection, endpoint security, cloud security, and incident response. The ZTA assessment will provide us with a comprehensive understanding of our current state, enabling us to assess the time, resources, and technology required for successful ZTA implementation. This assessment will help us identify potential challenges, estimate costs, and develop an implementation roadmap that aligns with our organization's unique needs and priorities."

If approved CDSS would initiate a competitive procurement process begin to secure one-time professional services to perform ZTA technology environment and workforce assessment. The first year's expected schedule include the following phases:

- November 2024: Initiate Competitive Procurement Process
- January 2025: Award Contract
- February 2025: Onboarding, Planning & Effort Initiation
- March 2025: Technical Assessment and Analysis

• July 2025: Workforce Analysis

• September 2025: Presentation and Alignment

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal is for $2 million in one-time new General Fund resources.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

2. Please explain why it is necessary to invest new General Fund in this project in 2024-25.

Issue 8: CalFresh Employment and Training – CalFresh Confirm

Budget Change Proposal – Governor's Budget. CDSS requests $200,000 in 2024-25 and $196,000 ongoing for one position (Staff Services Manager I) in the CalFresh & Nutrition Branch to effectively manage current workload and increasing responsibilities, support federal compliance, and maintain implementation of the CalFresh Confirm tool. This position would be funded by federal funds and reimbursements and has no impact on the General Fund.

Background on CalFresh Employment and Training (CalFresh E&T). CalFresh E&T provides CalFresh recipients with opportunities to gain skills, training, and/or experience. CDSS provides oversight, technical assistance, and general program support to counties and third-party providers currently implementing CalFresh E&T. California's E&T program operates in 35 counties with services offered by counties and over 65 third-party providers.

Background on CalFresh Confirm. As part of CDSS' efforts to support counties and third-party providers in expanding access to E&T services, CDSS developed and launched the "CalFresh Confirm" tool in September 2021. CalFresh Confirm is an online tool partially funded by the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) through a federal technology improvement grant. CalFresh Confirm allows authorized users to confirm CalFresh eligibility for the purpose of seeking CalFresh E&T reimbursement for employment and training services provided to CalFresh recipients. While CalFresh Confirm was built primarily for workforce services providers, other partners who enter into agreements with CDSS will be able to access the tool to confirm CalFresh eligibility and support access to other essential services, such as reduced court fines, utility and phone services, transportation passes, and other programs.

Staffing and Resource Request. According to CDSS, the CalFresh Confirm tool requires ongoing management and maintenance to keep the tool up to date and respond to the needs of CalFresh E&T providers, including counties and other statewide partner organizations. This tool reduces the administrative burden of verifying CalFresh eligibility for both counties and partners making much needed employment services available to more individuals. Currently, the CalFresh Confirm tool has one Information Technology Specialist (ITS) II within the Information Systems Division (ISD) to support the CalFresh E&T Section.

According to CDSS, the requested CalFresh Confirm SSM I would serve as the program lead, providing policy expertise and interpretation, and acting as the primary liaison to external contracted partners and workforce service providers, including CalFresh E&T counties and third-party providers. Third-party providers will access the tool to verify participant eligibility and access information necessary to meet program reporting requirements. Onboarding users will include presentations and webinars, dissemination of reference materials, and stakeholder engagement. The CalFresh Confirm SSM I would also oversee contract development and management**.**

In addition, the CalFresh Confirm SSM I Specialist would oversee workgroups of department program, research, and information technology staff, external stakeholders, and others so that existing tools may be improved, and future tools may be developed. The CalFresh Confirm SSM I Specialist would participate in ongoing project-related activities, including strategic problem solving, business rules extract sessions, business and technical system design sessions, testing, and other necessary activities from all CalFresh

program policy perspectives. This includes monitoring all phases of planning, including participation with California Statewide Automated Welfare Systems (CalSAWS) and county participants. This also includes the development and implementation documents, verification plans, business services definitions, interface control, and governance structures, and provides analysis and recommendations to executive management and other appropriate CDSS parties. The CalFresh Confirm SSM I Specialist would manage the day-to-day functions of administering CalFresh Confirm and collaborate closely with the ITS II. This includes providing technical assistance to users including: adding, editing, monitoring, suspending, and/or revoking user accounts as well as communicating directly with users, oversight agencies, and CDSS staff when the system is malfunctioning to correct the error in a timely fashion; acting immediately when actual or suspected fraud occurs; developing inter-agency agreements, contracts, and memorandum of understanding (MOUs/MOUAs); and tracking program budgets and preparing invoices.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 9: CalFresh Healthy Living Program Section Alignment

Budget Change Proposal – Governor's Budget. CDSS requests $562,000 in 2024-25 and $546,000 ongoing federal funds for three positions to support the CalFresh Healthy Living Program. This proposal has no impact on the General Fund.

Background on CalFresh Healthy Living (CFHL) Program. When CDSS began administering the state's CFHL program, CDSS primarily served as a pass-through agency that funneled federal funding from the United States Department of Agriculture, Food and Nutrition Services (USDA, FNS) to other state agencies which provided direct client service. According to CDSS, the department's role in the program has grown to meet increasingly stringent federal requirements and to meet the needs and expectations of CFHL program partners.

CDSS is responsible for providing administrative oversight directly to four agencies: the California Department of Public Health, the California Department of Aging, CalFresh Healthy Living-UC Davis, and Catholic Charities of California, which encompass a network of over 140 local implementing agencies across California. California operates the largest Supplemental Nutrition Assistance Program-Education (SNAP-Ed) program in the nation, with over $100 million in federal funds flowing through the network each year.

Per revised USDA guidance, California must submit annual work plan data via the new SNAP-Ed Annual Plan Online System beginning in Federal Fiscal Year 2023. This new task requires coordination and guidance from CDSS staff with all SNAP-Ed implementers in California. Additionally, the CFHL team must actively engage in tribal consultation with tribal leadership about the SNAP-Ed Plan of Operation as required by SNAP regulations (7 CFR 272.2(b) and 272.2(e)(7)).

According to CDSS, the department lacks sufficient resources to meet these requirements and expectations from USDA, as well as address programmatic needs to serve vulnerable populations. Not meeting these requirements will lead to noncompliance. Noncompliance will lead to delay, reduced, or returned federal funding. The three positions requested would allow the CFHL section to address and meet the needs of the program, as well as requirements and expectations of USDA.

Staffing and Resource Request. CDSS requests one permanent Staff Services Manger II (SSMII) position, one permanent Staff Services Manger I (SSMI), and one permanent Associate Governmental Program Analyst (AGPA) for the CalFresh Healthy Living (CFHL) Section in the CalFresh and Nutrition Programs Bureau. These three positions will be 100 percent federally funded by USDA through the SNAP-Ed Program.

This request would effectively split the existing CFHL section into two sections: a Contracts & Technical Support Section and a Data and Reporting Section. In addition, a fifth unit will be formed with the new SSMI position, new AGPA position, and two redirected existing staff from two units.

According to CDSS, program compliance has been an ongoing focal point for CFHL and providing thorough technical assistance and program guidance with limited staffing has been challenging amid other program priorities. The CFHL Section currently has four units with 14 analysts overseeing a variety of projects, workgroups, contracts, meeting collaboratives, data systems, and annual plan reporting, as well

as overseeing the different components of the program with a variety of responsibilities not limited to providing guidance, ensuring program compliance, managing funding and allocations, and reporting data and outcomes. In addition, each CFHL staff responds to inquiries from partners and stakeholders, including providing training and technical assistance. Analysts who manage contracts are also responsible for conducting fiscal and programmatic management evaluation reviews of state and local agencies that implement nutrition education interventions. In addition to conducting CDSS led management evaluation reviews, CFHL staff also coordinate and participate in federally conducted management evaluations, and the number of management evaluation and compliance reviews have increased significantly in recent years.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 10: CalFresh Outreach Unit Expansion

Budget Change Proposal – Governor's Budget. CDSS requests $173,000 in 2024-25 and $169,000 ongoing for one permanent position to support ongoing CalFresh outreach. This position is 100 percent federally funded and has no impact on the General Fund.

Background on CalFresh Outreach. The CalFresh Outreach unit under CDSS administers California's SNAP Outreach program through a network of contracted community-based organizations with the goal of increasing access to CalFresh and providing individual support to people who need help connecting with the state's food safety net.

Staffing and Resource Request. According to CDSS, the scope of the CalFresh Outreach Unit has grown significantly in recent years, especially with the implementation of Disaster CalFresh, which is triggered any time a county disaster is declared. In the past year alone, there have been over ten Disaster CalFresh implementations in California, which is more than double the rate of previous years. Lacking dedicated resources to respond to Disaster CalFresh operations, the existing Outreach team is forced to pause or redirect workload to be able to absorb the urgent and unpredictable work associated with supporting Disaster CalFresh implementation.

The CalFresh Outreach Unit currently manages contracts with seven prime community-based organizations with 167 subcontracting partners. According to CDSS**,** adding one analyst position will help balance the oversight and management of Outreach contractors, secure federal approval, and verify CalFresh Outreach activities align with the CalFresh and Nutrition Branch goals; in addition to responding to the increase in Disaster CalFresh programming. This position would be 100 percent federally funded from USDA SNAP Outreach.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 11: CFAP Overpayments

Trailer Bill Language – Governor's Budget. CDSS proposes trailer bill language to establish state and county overissuance collection retention rates for the California Food Assistance Program (CFAP) that align with CalFresh.

Background on CalFresh Overpayments. When a CalFresh household receives more benefits than it was entitled to receive, counties are required to establish and collect an overissuance claim. Currently, CalFresh and CFAP overissuance claims are established and collected as a single claim, and the amount specific to each program is indistinguishable. CDSS collects overissuance claims from the counties and submits the claims to the federal government on a quarterly basis. Collections are segregated by the amount to be paid to the federal government and the amount the state agency retains as a collection incentive. Currently, CalFresh retention rates for the State are 35 percent for Intentional Program Violation (IPV) claims, 20 percent for Inadvertent Household Error (IHE) claims, and 0 percent for Administrative Errors (AE) claims. The federal government receives 65 percent of IPVs, 80 percent of IHEs, and 100 percent of all collected AE recouped claims. The portion the State retains is shared 50/50 with counties: 17.5 percent state/17.5 percent county for IPV claims, 10 percent state/10 percent county for IHE claims, and 0 percent for either state and county for AE claims. The state portion of the overissuance collection is deposited into the State General Fund.

AB 135 (Committee on Budget), Chapter 85, Statutes of 2021, initiated an age-based expansion of CFAP eligibility to noncitizens, regardless of immigration status, upon completion of the needed automation changes funded in the 2021 Budget Act. SB 187 (Committee on Budget and Fiscal Review), Chapter 50, Statutes of 2022, makes an individual 55 years of age or older eligible for CFAP if the individual's immigration status is the sole basis for their ineligibility for CalFresh. Automation and outreach activities begin in 2023-24 with program implementation on October 1, 2025.

Trailer Bill Language to Mirror CalFresh Overpayment Process for CFAP. There currently is no distinction between CalFresh and CFAP overissuance claims establishment and collections procedures, including retention rates, and both programs follow federal rules at 7 CFR 273.18(k), which address percentage-based retention rates for recouped overissuances. To implement and administer the expansion of CFAP to individuals 55 years of age or older regardless of their immigration status, CDSS will begin issuing CFAP payments from a state bank account, effective October 1, 2025. Therefore, any CFAP overissuances established and collected will be separate and apart from CalFresh overissuances and will no longer be shared with the federal government.

However, current state law does not clearly state how the recouped overissuance funds will be shared with counties once the federal government is no longer involved. To secure a streamlined and uniform process for all counties, CDSS proposes to continue the existing methodology for counties to retain 17.5 percent for IPVs, 10 percent for IHEs, and 0 percent for AEs. This rate structure continues uniformity related to the county retention rates within both CalFresh and CFAP programs.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes there is no funding associated with this proposal.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 12: Guaranteed Income Pilot Extension

Trailer Bill Language – Governor's Budget. CDSS proposes to extend the sunset date of the Guaranteed Income (GI) Pilot Program from July 1, 2026 to January 1, 2028, to provide sufficient time for GI pilot programs to enroll eligible participants and complete the statutorily required evaluation.

Background on GI Pilot Program. AB 153 (Committee on Budget), Chapter 86, Statutes of 2021 establishes the GI Pilot Program, and the 2021 Budget Act included $35 million, available over five years, to implement the GI Pilot Program. CDSS has awarded funding to seven local grantees to provide unconditional, regular monthly payments to pregnant individuals and youth exiting extended foster care at or after 21 years of age.

Trailer Bill Language to Extend Pilot Duration. According to CDSS, it is taking longer than expected to implement the GI Pilot program, due to longer than expected timelines for grant negotiation and execution. Securing a statewide disbursement platform also added a contractual layer that was unanticipated, but necessary to facilitate the evaluation and to integrate benefits counseling tools and reporting. These delays have led to a later start date for the enrollment period for pilots. Pilots also require a longer than anticipated enrollment window to reach enrollment targets (such as extending enrollment from a six-month period to a nine-month period). If the sunset date is not extended, CDSS anticipates that pilots would enroll fewer individuals than anticipated, which would undermine the evaluation.

This proposal has no fiscal impact.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes there is no new funding associated with this proposal.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

2. Please provide a brief status update on the GI Pilot Program.

Issue 13: Improving Operations to Support Immigrant and Refugee Children

Budget Change Proposal – Governor's Budget. CDSS requests $1.62 million in federal funding in 2024-25 and ongoing for nine permanent positions to implement and oversee new and ongoing federal initiatives that support refugee and immigrant youth and families. This proposal has no impact on the General Fund.

Background on CDSS Programs Supporting Immigrant and Refugee Children. CDSS is experiencing an increase in workload demands to implement and oversee new and ongoing federal initiatives that support refugee and immigrant youth and families.

The Office of Immigrant Youth (OIY) oversees the development and administration of California's Refugee Resettlement Program (RRP), which includes programs funded under the Refugee Support Services (RSS) Set-Aside. These federally funded Set-Asides include funding for the Refugee School Impact program, the Youth Mentoring program, and Set-Aside supplements under the Afghanistan Supplemental Appropriation Act of 2022 (ASA) and the Additional Ukraine Supplemental Appropriations Act of 2022 (AUSAA). The RRP also includes the Unaccompanied Refugee Minors (URM) program, which provides foster care, placement, and independent living services to eligible youth. All of these programs are 100 percent federally funded by the Office of Refugee Resettlement (ORR) and provide social adjustment supports, youth mentoring activities, culturally and linguistically appropriate child welfare, foster care, and independent living services to newcomers in the United States who are refugees, asylees, Cuban/Haitian entrants, certified survivors of human trafficking, Iraqi and Afghan Special Immigrants, Unaccompanied Refugee Minors, and humanitarian parolees from Afghanistan and Ukraine.

Pursuant to Title 45 Code of Federal Regulations (CFR) Part 400.1 and 400.22, California's RSS Set-Aside programs must support the effective resettlement of refugees and assist them to achieve economic self-sufficiency. The state must develop and oversee statewide policies, standards, procedures, and instructions to support the network of service providers delivering services. Additionally, under Title 45 CFR Part 400.112, California's URM program must provide services that are equivalent to mainstream foster care and emancipation services. California must provide child welfare services and medical assistance to refugee children according to the state's child welfare standards, practices, and procedures. California must oversee and administer the provision of case planning and management, foster care, medical benefits, mental health services, independent living options, emancipation and supportive housing, educational services, and acculturation training and activities that support cultural preservation.

The table below details data from several federal programs and data sources, including, but not limited, to data from the Reception and Placement program, Afghan Placement and Assistance program, and Uniting for Ukraine program, showing the number of federally eligible arrivals beginning in federal fiscal year 2019. As reflected, almost 50,000 federally eligible youth were resettled in California, and because the ORR's funding methodology considers the number of youths served during the previous federal fiscal year as well as the number of anticipated arrivals, the amount of funding continues to increase. As the rate of arrivals continues to rise, the OIY continues to experience an increase in workload due to increased appropriations from the ORR and the need to support the growing network of service providers necessary to meet the needs of federally eligible youth and families.

FFY	All federally Eligible Populations/Ages	Federally Eligible Youth Age 0-24	% Of Age 0-24
2023 (Oct. 2022 through Jun. 2023)	24,804	10,673	43%
2022	41,188	17,816	43%
2021	12,603	5,343	42%
2020	15,841	6,620	42%
2019	22,443	8,585	38%
Total	116,879	49,037	42%

Request for Federally Funded Staffing and Resources. The nine requested positions are 100 percent federally funded and will provide additional technical assistance to support operations and administration, coordinate the service provider network, manage procurement, and design and develop specialized programs to support the increasing number of refugee children and youth arriving in California. The nine federally funded positions include:

- Four Staff Services Analysts/Associate Governmental Program Analysts (SSA/AGPA) will support the growing work of administering and overseeing grants, contracts, and procurement as well as program monitoring reporting and monitoring budgets and expenditures. The work of one of these positions will include the administrative support and operational oversight of internal operations including purchasing, personnel, and other administrative functions.

- One Staff Services Manager (SSM) I will support and oversee the work of analysts who are administering grants, contracts, and procurement as well as program monitoring, reporting, and tracking budgets and expenditures.

- One Office Technician (OT) will oversee and support the personnel processes including recruitment, on-boarding, coordination of personnel training, and attendance/timekeeping support.

- One Attorney IV will review service provider agreements, verifying adherence to the state's contractual laws, provide legal assistance and analysis to support policy development and interpretation, and assist with enforcement of federal deliverables/requirements.

- One Health Programs Specialist I will address the most complex inquiries regarding child welfare policy and provide technical assistance regarding case management and placement of youth in the URM program

- One (1.0) Research Data Specialist II will establish a data pipeline to automate the collation and linkage of program and outcome data and analyze data to report on program utilization, progress, impact, and outcomes.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes this proposal is 100 percent federally funded and has no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 14: Refugee Resettlement Increased Staffing

Budget Change Proposal - Governor's Budget. CDSS requests $2.4 million federal funds in 2024-25 and $2.3 million federal funds ongoing for 13 permanent positions to implement federally funded initiatives that support refugee families.

Background on Refugee Resettlement. The Office of Refugee Resettlement (ORR), a division of the U.S. Department of Health and Human Services (U.S. HHS), provides short-term Cash and Medical Assistance (CMA) and Refugee Support Services (RSS). CMA provides Refugee Cash Assistance (RCA), which allows eligible newcomer individuals to receive up to 12 months of cash aid. RSS programs help refugees and other eligible populations find and maintain employment. RSS benefits include, but are not limited to, employability assessments, training and job development, vocational training and recertification, job placement, social adjustment services, English language instruction, housing assistance, and interpretation and translation.

The RCA, RSS, and RSS Set-Aside programs are 100 percent federally funded by ORR and provide cash aid, workforce services, and social adjustment supports to newcomers in the United States who are refugees, Cuban/Haitian entrants, asylees, survivors of human trafficking, non-citizen victims of domestic violence and other serious crimes, youth granted Special Immigrant Juvenile Status while in the custody of the ORR, and, more recently, specific groups of humanitarian parolees. CDSS oversees the development and implementation of these programs. Some of these services are provided through the counties, while other services require CDSS to design programming, select service providers, enter into funding agreements, and directly monitor the provision of services.

Recently, through the Afghanistan Supplemental Appropriations Act of 2022 (ASA) and the Additional Ukraine Supplemental Appropriations Act of 2022 (AUSAA), CDSS has been awarded significant amounts of funding with additional flexibilities and now oversees the administration and the development of new programs to provide housing assistance and support enhanced case management, outreach, and education to newly arrived Afghans and Ukrainians. Respectively, these programs include the two-year $10 million Afghan Communities Support (ACS) program, the forthcoming Ukrainian Communities Support program (anticipated to begin in Federal Fiscal Year 2023-24), the Afghan Investment and Support Program, and the Housing Assistance for Ukrainians program.

Request for Federally Funded Staffing and Resources. According to CDSS, the number of RSS and CMA funded programs and grants CDSS currently oversees has grown approximately 165 percent since 2020, and it is anticipated to grow in the coming years. Prior to 2022, CDSS was responsible for the oversight of seven CMA and RSS funded programs and projects. Since 2022, CDSS has developed and implemented an additional six programs, expanded existing program flexibilities, and developed partnerships with two consulting agencies. CDSS is currently developing two more programs set to launch within the next few months, which will result in additional workload. The requested positions are spread across the Asylee and Trafficking Unit; the Accessibility, Research, and Data unit; Quality Assurance and Training Engagement; Information Systems Division (ISD); CDSS Legal Division; and Finance and Accounting Division.

According to CDSS, if approved, these positions will increase CDSS' capacity to support the increasing number of refugee families arriving in California and enable CDSS to design new programs to meet the

dynamic needs of new arrivals and increase program oversight, ultimately, ensuring overall equity and quality in contracted and county provided services. The requested positions will be responsible for the workload necessary to support new and ongoing federally funded initiatives and provide quality technical assistance and support, monitoring, documentation of service providers' performance, satisfaction of federal data collection and reporting requirements, in-person site visits, and desk reviews.

Subcommittee Staff Recommendation and Comment – Hold Open. Subcommittee staff notes the requested positions are funded with 100 percent federal funds and have no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 15: Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to CalFresh and Food Programs, CalWORKs, immigrant services, and other social services.

Presentation Item:

- **CalFresh Safe Drinking Water Pilot Extension.** Nourish California proposes $1.5 million one-time in 2024-25 to extend the CalFresh Safe Drinking Water Pilot Program. According to Nourish California, "this innovative and successful program launched in March 2022 and currently provides $50 per month in supplemental CalFresh benefits in selected Kern County zip codes where residents lack access to safe water. Without sufficient allocation in the 2024-25 budget, these benefits will prematurely end for the 3,000 households who participate in the pilot program. Given the certainty that water-related emergencies will continue in our state, it is vital that we extend such successful interventions to help all Californians who face drinking water challenges who are at risk for hunger. A cost and feasibility study will also help in assessing a potential future expansion of the program to additional communities impacted by unsafe drinking water and food insecurity, and ultimately statewide."

Non-presentation Items:

- **Annual $60 Million Baseline for CalFood.** The California Association of Food Banks proposes $52 million ongoing beginning in 2025-26 to increase the Calfood baseline budget to a total of $60 million. The food banks report that the loss of CalFresh Emergency Allotments and other pandemic safety net supports are driving hunger and demand on food banks, many of which have begun scaling back the amount of food they offer to households. According to the food banks, "we are grateful that CalFood has been funded at $8 million ongoing since the 2017-18 Budget, and for the historic additional investment of $112 million in the 2022-23 Budget, and $52 million in the 2023-24 Budget. While this is an important foundation, $8 million was never sufficient to meet the need prior to the pandemic when we had 4 million hungry Californians and does not reflect the reality of today or future years. This is the critical moment for California to learn the lesson from the aftermath of the Great Recession, when public supports were ended prematurely."

- **Food for All: Expand Access to the California Food Assistance Program (CFAP).** The California Immigrant Policy Center and Nourish California propose $60 million in 2024-25, $543 million in 2025-26, and $697.2 million in 2026-27 and ongoing to expand CFAP to all Californians regardless of immigration status. According to these groups, "the 2023-2024 State Budget confirmed an expansion of eligibility for CFAP to include all Californians, age 55 years or older, who are income-eligible, regardless of their immigration status starting October 1, 2025. With this expansion, roughly 110,000 of California's older immigrants will gain access to CalFresh food benefits. However, without an expansion of eligibility to include all ages, regardless of immigration status, between 440,000 to 630,000 Californians will continue to be excluded, including 92 percent of California's undocumented farmworkers."

- **CalFresh Fruit and Vegetable Supplemental Benefits Program.** SPUR and Nourish California propose $30 million one-time in 2024-25 to sustain the CalFresh Fruit and Vegetable EBT Pilot Project. According to these groups, "this funding is needed to sustain the CalFresh Fruit and Vegetable EBT Pilot Project. CDSS went live with the program in 2023. It is currently available at 91 pilot retail locations (88 grocery stores and 3 farmers' markets) in 10 counties. Through those retail locations, as of February 2024, 43,000 CalFresh households comprising roughly 75,000 people from 44 counties are earning a total of $1.9 million each month in rebates when they buy fresh fruits and vegetables with their CalFresh benefits. This program has proven to be more successful and popular than anticipated and CDSS is ending the program in April due to lack of funds to continue offering the program. If additional funding is not provided in the 24-25 budget, the program will be unable to restart and tens of thousands of Californians across the state will have less money to put food on their tables."

- **Use Federal TANF Pilot to Reimagine CalWORKs.** A coalition including the CalWORKs Association/Student Parents Are Reimagining CalWORKs (SPARC), Coalition of California Welfare Rights Organizations, GRACE/End Child Poverty California, Parent Voices, and Western Center on Law and Poverty, proposes trailer bill language to expand on the Governor's proposal to apply for the new federal opportunity to pilot alternatives to the Work Participation Rate (WPR) in CalWORKs by making program changes proven to achieve progress in family outcomes, including: (1) limit family sanctions to federal requirements; (2) empower families to self-determine their goals and participation activities; (3) ensure access to child care and all supportive services; and (4) permanently repeal the county WPR penalty pass-through. According to this coalition, "In setting aside the WPR and adopting real benchmarks for family outcomes, the pilot aligns with Reimagine objectives to support rather than punish families facing the greatest barriers and provide meaningful pathways out of poverty… if embraced, the pilot presents a critical opportunity to refocus CalWORKs away from financial sanctions on counties and participants that fuel a punitive, compliance orientation. This aligns with the goals of Cal-OAR and CalWORKs 2.0 and improving government service delivery. The pilot can rebuild community trust by empowering parents to make the best decisions for their families and allowing administrators to center CalWORKs on meeting the needs of families, making them healthier, stronger, and more resilient."

PUBLIC COMMENT ON ISSUES 5-15

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, April 18th, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Scott Ogus

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Managed Care Organization (MCO) Tax – Targeted Rate Increases and Investments

Local Assistance and Trailer Bill Language – Governor's Budget. DHCS requests expenditure authority of $1.9 billion ($774 million Medi-Cal Provider Payment Reserve Fund and $1.1 billion federal funds) in 2024-25, with a total annual impact of $5.4 billion ($2.2 billion Medi-Cal Provider Payment Reserve Fund and $3.2 billion federal funds) by 2026-27, to support targeted rate increases and investments for Medi-Cal providers beginning January 1, 2025. DHCS also proposes trailer bill language to implement these rate increases and investments. As of the publication of this agenda, the text of the proposed trailer bill language has not been released by the Administration.

Background. AB 119 (Committee on Budget), Chapter 13, Statutes of 2023, authorizes the assessment of a tax on managed care organizations operating in California to provide a stable funding source for the delivery of health care services in the Medi-Cal program, and support critical investments to ensure access, quality, and equity. The tiered, enrollment-based managed care organization (MCO) tax will be assessed from April 1, 2023, through December 31, 2026, on all full-service health plans licensed by the Department of Managed Health Care (DMHC) or contracted with the Department of Health Care Services (DHCS) to provide services to Medi-Cal beneficiaries. In addition, AB 119 establishes the Managed Care Enrollment Fund, into which the revenues from the tax will be deposited, and makes those revenues available, upon appropriation by the Legislature, to DHCS for the purposes of funding: 1) the nonfederal share of increased capitation payments to Medi-Cal managed care plans to account for their projected tax obligation, 2) the nonfederal share of Medi-Cal managed care rates for the delivery of health care services to beneficiaries of the Medi-Cal program, and 3) transfers to the Medi-Cal Provider Payment Reserve Fund to support investments in the Medi-Cal program.

SB 136 (Committee on Budget and Fiscal Review), Chapter 6, Statutes of 2024, approved by the Legislature in March 2024, modified the tiered tax amounts for the MCO tax approved by AB 119 to allow the state to draw down approximately $1.5 billion in additional federal funds to offset General Fund expenditures in the Medi-Cal program. As the nonfederal share of Medi-Cal expenditures are typically supported by the state's General Fund, these resources are available to help address the state's General Fund shortfall. The net benefit to the General Fund by fiscal year would be $395 million in 2023-24, $698 million in 2024-25, $467 million in 2025-26, and a net General Fund loss (compared to the previous estimate) of $102 million in 2026-27. In addition to these changes, the budget includes changes to the amounts of the tax previously allocated to support the General Fund in the 2023 Budget Act and ends MCO tax revenue support for targeted rate increases and investments one year earlier.

COMPARISON OF MULTI-YEAR MCO TAX REVENUE/EXPENDITURES ESTIMATES
2023 Budget Act to 2024 Governor's Budget

MCO Tax – Cash Basis by Fiscal Year (*at 2023 Budget Act*)					
(dollars in millions)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Total**
Total Revenue[1]	$8,269	$8,527	$8,762	$6,704	$32,261
Medi-Cal Capitation Rates[2]	$3,860	$3,415	$3,507	$2,077	$12,860
State's Net Benefit[3]	**$4,410**	**$5,112**	**$5,254**	**$4,626**	**$19,402**
General Fund Backfill[4]	$3,389	$1,858	$2,019	$1,050	$8,316
Proposed Rate Increases/Investments 2024[5]	$98	$240	$241	$241	$820
Proposed Rate Increases/Investments 2025[6]	$923	$3,014	$2,994	$3,335	$10,266
TOTAL MEDI-CAL INVESTMENTS	**$1,021**	**$3,254**	**$3,235**	**$3,576**	**$11,086**

MCO Tax – Cash Basis by Fiscal Year (*at 2024 Governor's Budget*)					
(dollars in millions)	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**Total**
Total Revenue[1]	$8,269	$9,770	$9,514	$7,138	$34,690
Medi-Cal Capitation Rates[2]	$3,464	$3,960	$3,792	$2,614	$13,831
State's Net Benefit[3]	**$4,805**	**$5,810**	**$5,721**	**$4,524**	**$20,859**
General Fund Backfill[4]	$4,409	$4,637	$2,485	$1,349	$12,880
Proposed Rate Increases/Investments 2024[5]	$396	$366	$380	$396	$1,538
Proposed Rate Increases/Investments 2025[6]	$0	$881	$2,339	$2,455	$5,601
TOTAL MEDI-CAL INVESTMENTS	**$396**	**$1,247**	**$2,719**	**$2,851**	**$7,139**

1 – Total Revenue is the total amount of revenue received by the state from the tax on managed care organizations.
2 – Medi-Cal Capitation Rates is the amount paid to Medi-Cal managed care plans in their capitation rates to account for the amount of tax paid to the state. Federal regulations require capitation payments to be actuarial sound and include the cost of taxes.
3 – State's Net Benefit is the amount of revenue received by the state, net of capitation payments paid to managed care plans.
4 – General Fund Backfill is the amount that addresses the General Fund shortfall in 2023-24 and subsequent years.
5 – Proposed Rate Increases 2024 include the increase to 87.5 percent of Medicare for primary care, obstetrics and non-specialty mental health; UC Graduate Medical Education; Distressed Hospital Loan Program; and Small/Rural Hospital Relief Program for Seismic Assessment and Construction.
6 – Proposed Rate Increases 2025 include the Administration's proposed increases for Medi-Cal providers, and investments in Behavioral Health Throughput (eff. 7/1/25), and the Medi-Cal Workforce Pool – Labor Management Committee (HCAI).

Federal Requirements for Health Care Related Taxes. Section 433.68 of Title 42 of the Code of Federal Regulations (42 CFR 433.68) authorizes state Medicaid programs to receive federal financial participation (FFP) for expenditures using health care-related taxes, as long as certain conditions are met. The MCO Enrollment tax qualifies as a health care-related tax. Taxes must be:

1) Broad-based – For a health care related tax to be considered broad based, it must be imposed on all non-federal (e.g. Medicare) and non-public providers in the state or jurisdiction imposing the tax (e.g. local government).
2) Uniformly imposed – For a health care related tax to be considered uniform, it must be applied at the same rate for all affected providers
3) No hold-harmless provisions – A taxpayer cannot be held harmless for the amount of the tax. A taxpayer is considered to be held harmless if there is a correlation between their Medicaid payments and the tax amount, all or any portion of the Medicaid payment varies based only on the tax amount,

or the state or other taxing jurisdiction provides for any direct or indirect payment or other offset for all or any portion of the tax amount.

States may apply for waivers to both the broad-based and uniform requirements. For a waiver of the broad-based requirements, a state must demonstrate that the tax is "generally redistributive" by calculating the proportion of tax revenue applicable to Medicaid under a broad-based tax (P1) and comparing it to the same proportion under the proposed tax (P2). A waiver may be approved if the ratio of P1/P2 is at least 0.95, and the excluded providers are in a list of providers defined in the regulation. For a waiver of the uniform requirements, a state must measure the ratio of the slope of a linear regression equation of a broad-based and uniform tax (B1) compared to the proposed tax (B2). The ratio of B1/B2 must be at least 0.95, and the excluded providers are in a list of providers defined in the regulation. The most recent MCO enrollment tax received a waiver of the uniform requirement, and was designed to comply with the required B1/B2 ratio.

Twenty Years of Provider Taxes on Managed Care Organizations in California. California imposes three provider-related taxes: a fee on certain general acute-care hospitals (Hospital Quality Assurance Fee or HQAF), a fee on free-standing skilled nursing facilities (AB 1629 Quality Assurance Fee), and a tax on enrollment in health care service plans in the state of California (Managed Care Organization or MCO Tax). For over twenty years, California has imposed a fee or tax on managed care organizations, the proceeds of which have been allocated entirely to offset state General Fund expenditures in Medi-Cal, until the most recent tax imposed in 2023.

Quality Improvement Fee (AB 1762 - 2003)

AB 1762 (Committee on Budget), Chapter 230, Statutes of 2003, authorized the state's first provider fee on Medi-Cal managed care organizations. The fee was implemented in July 2005 as a quality improvement fee of 5.5 percent of a plan's revenue. The 2005 Governor's Budget assumed net General Fund savings of $37.7 million as a result of the fee. The fee was allowed to expire in October 2009, as the federal government disallowed the fee because it was not sufficiently broad-based and, therefore, in violation of the relevant Medicaid regulations (see section below on "Federal Medicaid Requirements")

Gross Premiums Tax (AB 1422 - 2009)

AB 1422 (Bass), Chapter 157, Statutes of 2009, replaced the previous quality improvement fee with an extension of the state's existing gross premiums tax of 2.35 percent to Medi-Cal managed care plans. The tax had previously only been levied on insurance products, but taxation of Medi-Cal managed care plans under this existing tax regime was sufficient to comply with federal Medicaid regulations that the tax be broad-based. AB 1422 provided that revenue from the tax would serve as the non-federal share for expenditures in both the Medi-Cal program and the state's program for the federal Children's Health Insurance Program, known as the Healthy Families Program. The 2010 Budget Act assumed the gross premiums tax would provide $99.8 million to Medi-Cal and $82 million to Healthy Families in the 2009-10 fiscal year. The gross premiums tax was extended by Chapter 717, Statutes of 2010 (SB 853), and again by Chapter 11, Statutes of 2011 (ABX1 21), until June 30, 2012.

Managed Care Organization Tax (SB 78 - 2013)

SB 78 (Committee on Budget and Fiscal Review), Chapter 33, Statutes of 2013 (SB 78), extended the gross premiums tax at its previous rate of 2.35 percent until June 30, 2013. SB 78 then authorized a tax of 3.9375 percent, equal to the state's portion of the sales and use tax, on the operating revenue of Medi-

Cal managed care organizations, known as the MCO tax. The tax was authorized for three years, until June 30, 2016. The 2013 Budget Act assumed a General Fund savings of $304.6 million for the Medi-Cal program from the MCO tax. Over subsequent years, additional populations began to enroll in Medi-Cal managed care, particularly related to the Optional Expansion of Medi-Cal pursuant to the federal Affordable Care Act. As a result, General Fund savings from the MCO tax grew significantly because the tax was a percentage of overall expenditures on Medi-Cal managed care. The 2016 Budget Act assumed $971.2 million of annual General Fund savings in the 2015-16 fiscal year, the last year of operation of this version of the MCO tax.

Managed Care Enrollment Tax (SBX2 2 - 2016)

In 2014, the federal government released guidance indicating that the structure of the state's MCO tax did not comply with federal Medicaid regulations. The state was instructed to make any necessary statutory changes to bring the tax into compliance by the end of the next scheduled legislative session, or the end of 2016. SBX2 2 (Hernandez), Chapter 2, Statutes of 2016, 2nd Extraordinary Session, authorized a tax on enrollment of managed care plans statewide, along with certain tax reform provisions. SBX2 2 created a tiered tax on the enrollment of health care service plans based on their enrollment as reported to the Department of Managed Health Care for the 12 month period of October 1, 2014 through September 30, 2015, known as the "base year". There were three sets of tiers: 1) Medi-Cal enrollees, 2) Alternate Health Care Service Plan enrollees (such as Kaiser), and 3) all other enrollees. Each tier, based on the number of member months, had a different tax rate per enrollee. The 2017 Governor's Budget assumed General Fund savings of $1.07 billion in 2016-17 and $1.63 billion in 2017-18 from the new MCO enrollment tax. SBX2 2 also contained tax reform components that exempted payers of the MCO tax from liability for the state's gross premiums tax and from the corporation tax. The 2017 Governor's Budget assumed a total annual General Fund revenue reduction of $370 million ($280 million gross premiums tax and $90 million corporation tax) for each of the three years of the tax.

Reauthorized MCO Enrollment Tax (AB 112 – 2019)

AB 112 (Committee on Budget), Chapter 348, Statutes of 2019, reauthorized a tax on managed care organizations operating in California, based on enrollment, beginning July 1, 2019, and ending January 1, 2023. The "base year" for enrollment was the cumulative enrollment for each plan between January 1, 2018, and December 31, 2018. The 2019 Budget Act assumed net revenue of $1.7 billion in 2019-20, $1.9 billion in 2020-21, $2.1 billion in 2021-22, and $2.4 billion in 2022-23. The tax authorized by AB 112 was allowed to expire at the end of 2023.

2023 Budget Act MCO Enrollment Tax Renewal. AB 119 implemented a multi-year tax on managed care organizations (MCO) beginning April 1, 2023, through December 31, 2026, to: 1) support the General Fund shortfall and achieve a balanced budget, 2) support Medi-Cal investments to ensure access, quality and equity over an eight to ten year period. The 2023 Budget Act also authorized expenditure authority of $214.7 million ($89.6 million Medi-Cal Provider Payment Reserve Fund and $125.1 million federal funds) to increase provider rates to 87.5 percent of the rate paid by the Medicare program, beginning January 1, 2024, for the following provider types: 1) primary care services and nonphysician professional services, 2) obstetric care services, and 3) outpatient, non-specialty mental health services. The 2023 Budget Act also included expenditure authority from the Medi-Cal Provider Payment Reserve Fund of $150 million for the Distressed Hospital Loan Program (one-time), $75 million for Graduate Medical Education (ongoing), and $50 million for Small and Rural Hospital Relief for Seismic Assessment and Construction (one-time).

The tax establishes three tiers of enrollment. Tier 1 includes enrollment up to 1,250,000. Tier 2 includes enrollment between 1,250,001 and 4,000,000. Tier 3 includes enrollment over 4,000,001. The tax only applies to enrollment in Tier 2 and was set at $182.50 per enrollee for Medi-Cal managed care plans and $1.75 per enrollee for non-Medi-Cal plans in 2023-24 and 2024-25. In 2025-26, the tax was set to rise to $187.50 per enrollee for Medi-Cal managed care plans and $2.00 per enrollee for non-Medi-Cal plans. In 2026-27, the tax would have risen again to $192.50 per enrollee for Medi-Cal managed care plans and $2.25 per enrollee for non-Medi-Cal plans.

MCO Tax – Enrollment Tiers and Tax Amounts
(as approved in the AB 119 and the 2023 Budget Act)

	Medi-Cal Tier 1	**Medi-Cal Tier 2**	**Medi-Cal Tier 3**	**Other Tier 1**	**Other Tier 2**	**Other Tier 3**
Enrollment:	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*
2023-24	$0.00	$182.50	$0.00	$0.00	$1.75	$0.00
2024-25	$0.00	$182.50	$0.00	$0.00	$1.75	$0.00
2025-26	$0.00	$187.50	$0.00	$0.00	$2.00	$0.00
2026-27	$0.00	$192.50	$0.00	$0.00	$2.25	$0.00

Federal Approval of the AB 119 Tax and Use for Provider Rate Increases. DHCS indicates, during its discussions with the federal Centers for Medicare and Medicaid Services (CMS), the design of the tax imposed by AB 119 utilizes ambiguities in current federal Medicaid regulations regarding the relative amounts of taxation between Medicaid and non-Medicaid plans to maximize federal funds and General Fund benefits. CMS has indicated to DHCS it intends to promulgate regulations to eliminate the ambiguity that allows this differential taxation to occur. However, CMS indicates it is willing to approve this version of the tax, including a significant allocation to support the General Fund shortfall, as long as the remaining General Fund savings are utilized to improve access, quality, and equity in the Medi-Cal program. The tax was approved by CMS in December 2023.

2024 Modification to MCO Tax Amounts to Draw Down Additional Federal Funds. SB 136, approved by the Legislature in March 2024, modified the tiered tax amounts for the MCO tax approved by AB 119 to allow the state to draw down approximately $1.5 billion in additional federal funds to offset General Fund expenditures in the Medi-Cal program. As the nonfederal share of Medi-Cal expenditures are typically supported by the state's General Fund, these resources are available to help address the state's General Fund shortfall. The net benefit to the General Fund by fiscal year would be $395 million in 2023-24, $698 million in 2024-25, $467 million in 2025-26, and a net General Fund loss (compared to the previous estimate) of $102 million in 2026-27. The new tax amounts by enrollment tier are as follows (changed amounts highlighted):

MCO Tax – Enrollment Tiers and Tax Amounts *(as modified by SB 136 in March 2024)*						
	Medi-Cal Tier 1	**Medi-Cal Tier 2**	**Medi-Cal Tier 3**	**Other Tier 1**	**Other Tier 2**	**Other Tier 3**
Enrollment:	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*
2023-24	$0.00	$182.50	$0.00	$0.00	$1.75	$0.00
2024-25	$0.00	$205.00	$0.00	$0.00	$1.75	$0.00
2025-26	$0.00	$205.00	$0.00	$0.00	$2.00	$0.00
2026-27	$0.00	$205.00	$0.00	$0.00	$2.25	$0.00

The modified MCO tax is currently awaiting approval by the federal Centers for Medicare and Medicaid Services.

Governor's January Budget Proposes Targeted Rate Increases and Investments. In the Governor's January budget, DHCS requests expenditure authority of $1.9 billion ($774 million Medi-Cal Provider Payment Reserve Fund and $1.1 billion federal funds) in 2024-25, with a total annual impact of $5.4 billion ($2.2 billion Medi-Cal Provider Payment Reserve Fund and $3.2 billion federal funds) by 2026-27, to support targeted rate increases and investments for Medi-Cal providers beginning January 1, 2025. DHCS also proposes trailer bill language to implement these rate increases and investments. As of the publication of this agenda, the text of the proposed trailer bill language has not been released by the Administration.

According to DHCS, the expected annual expenditures for rate increases and investments are as follows:

Category	**Estimated Annual Expenditures**
Primary Care, Maternal Care, Mental Health (*eff. 1/1/2024*)	$291,000,000
Physician and Non-Physician Health Professional Services	$975,000,000
Community and Hospital Outpatient Procedures and Services	$245,000,000
Abortion and Family Planning Access	$90,000,000
Services and Supports for FQHCs and RHCs	$50,000,000
Emergency Department (Facility and Physician) Services	$355,000,000
Designated Public Hospitals Reimbursement	$150,000,000
Ground Emergency Medical Transportation	$50,000,000
Behavioral Health Throughput (*eff. 7/1/2025*)	$300,000,000
Graduate Medical Education (*eff. 1/1/2024*)	$75,000,000
Medi-Cal Workforce Pool – Labor-Management Committee	$75,000,000
TOTAL	**$2,656,000,000**

In addition to these ongoing expenditures, the MCO Tax provided support for $150 million one-time for the Distressed Hospital Loan Program, and $50 million one-time for the Small and Rural Hospital Relief for Seismic Assessment and Construction program.

Physician and Non-Physician Health Professional Services. DHCS proposes to increase Medi-Cal reimbursement rates for the following procedure codes as a percentage of Medicare reimbursement as follows:

Procedure Code Category	Target Percent of Medicare Reimbursement
Evaluation and Management Codes for Primary Care and Specialist Office Visits, Preventative Services, and Care Management	100%
Obstetric Services	100%
Non-Specialty Mental Health Services	100%
Vaccine Administration	100%
Vision (Optometric) Services	100%
Evaluation and Management Codes for ED Physician Services	90%
Other Evaluation and Management Codes	80%
Other Procedure Codes utilized by Primary Care, Specialists and ED	80%

Providers eligible for these rate increases are: physicians, physician assistants, nurse practitioners, podiatrists, certified nurse midwives, licensed midwives, doula providers, psychologists, licensed professional clinical counselors, licensed clinical social workers, marriage and family therapists, optometrists, and audiologists.

Community and Hospital Outpatient and Emergency Department Facility Services. DHCS proposes to transition hospital outpatient and ambulatory surgical center reimbursement to an outpatient prospective payment system (OPPS) methodology, no sooner than January 1, 2027. DHCS also proposes to transition emergency department (ED) reimbursement to an OPPS methodology no sooner than January 1, 2027, after discussions with stakeholders. In preparation for the transition to the OPPS methodology, DHCS proposes transitionary increases to baseline reimbursements in the fee-for-service and managed care delivery systems beginning January 1, 2025, until the implementation of the OPPS methodology. The baseline increases would apply as regionally adjusted percentage increases to fee-for-service and managed care reimbursements in the relevant categories of service relative to current reimbursement levels. DHCS estimates these increases would average approximately 10 percent for outpatient services and 40 percent for ED facility services. When implemented, DHCS would calibrate the OPPS to be budget neutral relative to the increased baseline reimbursements in the preceding two years, and provide ongoing adjustments based on changes to Medicare rates.

Designated Public Hospitals Reimbursement. DHCS proposes to transition reimbursement for designated public hospital inpatient services from the existing certified public expenditure (CPE) methodology to a diagnosis related group (DRG)-type methodology. A DRG methodology would use diagnosis and procedure codes, as well as illness severity level to determine final reimbursement for each inpatient hospital stay. DHCS also proposes to phase out the CPE methodology in two phases leading to a subsequent reconciliation to 100 percent of costs. DHCS indicates it is engaging with public hospitals to refine the details of this proposal.

Abortion and Family Planning. DHCS proposes to increase rates for surgical and medication abortions to $1,150, to ensure reimbursement parity. The current Medi-Cal rate for induced abortion, by dilation and curettage, is $400. The current Medi-Cal rate for induced abortion, by dilation and evacuation, is $700. The current Medi-Cal rate for the Medication Abortion Bundle is $536.48. All of these rates would increase to $1,150.

In addition to the increased rates for surgical and medication abortions, DHCS proposes to continue the abortion supplemental payment program adopted in the 2022 Budget Act. This program provides support to non-hospital community clinics that incur significant costs associated with providing abortion services and that serve Medi-Cal members.

Ground Emergency Medical Transportation. DHCS proposes to increase the base rate for ground emergency medical transportation to between 50 and 60 percent of the Medicare base rate effective January 1, 2025. DHCS also proposes to adopt Medicare's pricing system to vary base rates by complexity, locality, and rural status.

Services and Supports for Federally Qualified Health Centers and Rural Health Clinics. DHCS proposes to increase the existing supplemental payment pool for non-hospital 340B community clinics by between $100 million and $125 million ($50 million Medi-Cal Provider Payment Reserve Fund). DHCS also proposes to transition the supplemental payment pool into a managed care directed payment, effective January 1, 2025. The directed payment would provide utilization based payments and performance-based quality payments.

Behavioral Health Throughput. DHCS proposes to invest $300 million from the Medi-Cal Provider Payment Reserve Fund to support behavioral health throughput. As of the publication of this agenda, no further details were available for this proposal.

Graduate Medical Education. DHCS proposes to transfer $75 million annually from the Medi-Cal Provider Payment Reserve Fund to the University of California to expand graduate medical education programs to achieve the goal of increasing the number of primary care and specialty care physicians in the state based on demonstrated workforce needs and priorities.

Health Care Workforce – Labor-Management Committee. DHCS proposes to transfer $75 million annually from the Medi-Cal Provider Payment Reserve Fund to HCAI to support the establishment and administration of the Medi-Cal Workforce Pool. No additional details are available for this proposal.

According to DHCS, all targeted rate increases for Medi-Cal providers would be used to establish new base rates for those providers, inclusive of the elimination of the remaining 10 percent provider rate reductions imposed pursuant to AB 97 (Committee on Budget), Chapter 3, Statutes of 2011, as well as any relevant supplemental payments provided with Proposition 56 (2016) tobacco tax revenue.

Equity Adjustments. DHCS also proposes to allocate $200 million ($80 million Medi-Cal Provider Payment Reserve Fund) to support adjustments designed to promote provider participation in localities where members may face challenges with access to equitable health care due to health care worker shortages and to address social drivers of health. The adjustments would apply to procedure codes for

evaluation and management for primary care and specialty office visits, preventative services, and care management; obstetric services; non-specialty mental health services; vaccine administration; and vision services. DHCS plans to develop an equity index to determine the distribution of equity adjustments that would include a composite of existing data sources such as health care worker shortage areas, rural or frontier areas, concentration of Medi-Cal members as a percent of regional population, and broader measures of social drivers of health such as the Healthy Places Index.

Alternative Targeted Investments in Medi-Cal. Since the Administration's initial proposal for an expanded MCO tax during the 2023 budget process, the subcommittee has received several alternative proposals for how the state might invest these dollars to strengthen the Medi-Cal program. These investments are as follows:

- *Multi-Year Continuous Enrollment in Medi-Cal for Children 0-5*. SB 184 (Committee on Budget and Fiscal Review), Chapter 47, Statutes of 2022, requires DHCS to implement continuous coverage for children in Medi-Cal between ages zero and five. SB 189 (Committee on Budget and Fiscal Review), Chapter 189, Statutes of 2022, added a trigger that requires the Department of Finance to determine in the spring of 2024 that sufficient General Fund resources exist to support this eligibility change. It is unclear whether the Department of Finance will make such a determination. The implementation of the policy could be supported with MCO tax revenue, requiring expenditure authority of $20 million ($10 million Medi-Cal Provider Payment Reserve Fund) in 2024-25 and $40 million ($20 million Medi-Cal Provider Payment Reserve Fund) annually thereafter.

- *Share of Cost Reform – Maintenance Need Income Level Adjustment.* SB 184 also requires DHCS to reform calculations of share of cost and expand eligibility for Medi-Cal for medically needy older adults and persons with disabilities. Similar to the continuous coverage for children proposal, the share of cost reform is subject to a trigger that requires the Department of Finance to determine in the spring of 2024 that sufficient General Fund resources exist to support this eligibility change. The implementation of the policy could be supported with MCO tax revenue, requiring expenditure authority of $66.9 million ($33.4 million Medi-Cal Provider Payment Reserve Fund) in 2024-25 and $160.3 million ($80.2 million Medi-Cal Provider Payment Reserve Fund) annually thereafter.

- *Private Duty Nursing Rates.* A coalition of twelve organizations proposed expenditure authority of $123.9 million ($54.5 million Medi-Cal Provider Payment Reserve Fund) to support a 40 percent increase in Medi-Cal rates to help attract and retain nurses who provide home health care to pediatric patients. Private duty nursing (PDN) is continuous skilled nursing care provide in the home for medically complex and vulnerable pediatric and adult patient populations under Medi-Cal, many of whom require assistive technology such as ventilators and tracheostomies to sustain life. According to a recent analysis by David Maxwell-Jolly of California Health Policy Strategies, inadequate PDN reimbursement resulted in 25 percent fewer hours of in-home health care and a five-fold increase in delayed hospital discharges and readmissions. The analysis concluded the state could save hundreds of millions of dollars in unnecessary hospital costs by ensuring these fragile children can safely return home or to the community, rather than continuing to stay in the hospital.

- *Community-Based Adult Services (CBAS).* The California Association for Adult Day Services (CAADS) proposes to establish a rate floor for community-based adult services (CBAS), requiring managed care plans to pay CBAS centers at a rate greater than or equal to the Medi-Cal fee-for-service

rate. The 2019 Budget Act eliminated the 10 percent provider rate reductions for CBAS included in AB 97 (Committee on Budget), Chapter 3, Statutes of 2011. As these restorations also resulted in an actuarial equivalent adjustment to managed care rates, the advocates contend this proposal should have no fiscal impact.

- *Congregate Living Health Facilities.* The Congregate Living Health Facilities Association requests expenditure authority of $15.5 million ($7.7 million Medi-Cal Provider Payment Reserve Fund and $7.7 million federal funds) to support increases for congregate living health facilities' daily rate from $490 to $675. Congregate Living Health Facilities provide care for the most medically fragile persons living in the community. Residents often have nowhere else to live because they require such a high level of acute care that often families cannot provide in their homes. Hospitals are incentivized to discharge and nursing homes provide a level of care lower than what CLHF residents require. No other provider is known to have not received any adjustment to their rates in 40 years. A rate increase will allow providers to increase wages, modernize medically assistive technology, and improve CLHF settings such as kitchen and dining rooms.

- *Community Health Worker, Promotoras, and Representatives.* A coalition of 46 organizations including the CA Pan-Ethnic Health Network, Vision y Compromiso, the California Primary Care Association, and others, request MCO tax resources to support a base rate increase for Community Health Workers, Promotoras, and Representatives (CHW/P/Rs) to at least 87.5 percent of Medicare, effective July 1, 2024. According to the coalition, a third of all Californians are enrolled in Medi-Cal and two thirds of Medi-Cal members are people of color. Yet, health outcomes pale by comparison for people of color, compared to their white counterparts in Medi-Cal and commercial coverage. CHW/P/R's reflect the communities they serve and their unique connection with the community has proven not only effective in supporting the COVID-19 response, improving outcomes for chronic diseases and mental health, and expanding access to healthcare services but also positions them as a pivotal component in efforts to transform the state's Medi-Cal program through the new Population Health Management service in CalAIM. With the promise of the CHW/P/R benefit, California has an opportunity to address care fragmentation, diversify the healthcare workforce, while also forging a stronger link between healthcare and public health through the use of CHW/P/Rs, but the potential of this workforce will remain unfulfilled without a greater and more targeted investment in a thriving CHW/P/R wage.

- *Chiropractic Benefits in Medi-Cal.* The California Chiropractic Association (CalChiro) requests approximately $7.3 million ($2.2 million Medi-Cal Provider Payment Reserve Fund) annually to restore the chiropractic benefit in Medi-Cal and to modify the two visit per month Medi-Cal limit to a 24 annual visit limit. According to CalChiro, for this modest investment, millions of Medi-Cal beneficiaries will have access to Doctors of Chiropractic (DCs) that have proven to be effective in providing nonpharmacological treatments to pain, reducing the need for prescription drugs such as opioids, and reducing the need for costly surgical interventions.

- *Orthotics and Prosthetics Reimbursement.* The California Orthotic and Prosthetic Association requests MCO tax resources to increase reimbursement rates for orthotics and prosthetics to at least 80 percent of the Medicare allowable rate and adjust the rate annually to conform with relevant changes in the Medicare program. According to COPA, there are nearly two-million people living with limb loss in the United States. Among those living with limb loss, the main causes are vascular

disease (54 percent) – including diabetes and peripheral arterial disease – trauma (45 percent) and cancer (less than 2 percent). Approximately 185,000 amputations occur in the United States each year. In 2009, hospital costs associated with amputation totaled more than $8.3 billion. African Americans are up to four times more likely to have an amputation than white Americans. Similarly, Latinx Americans are 1.5 times as likely to suffer an amputation as white Americans. This is higher than the five-year mortality rates for breast cancer, colon cancer, and prostate cancer. Of patients with diabetes who have lower extremity amputation, up to 55 percent will require amputation of the second leg within 2-3 years. Without a reasonable reimbursement methodology rate for "prosthetic and orthotic appliances" in the Medi-Cal program, socially vulnerable patients will continue to struggle with accessing care and suffer from ongoing mobility and independence challenges.

Panel Discussion. The subcommittee has requested representatives from the following organizations to serve as panelists to discuss the Administration's proposed MCO tax and provider rate increases, as well as alternative investments utilizing MCO tax revenue:

Panel 1:
- **California Medical Association (CMA)**
- **California Hospital Association (CHA)**
- **Planned Parenthood Affiliates of California**
- **California Primary Care Association (CPCA)**
- **Service Employees International Union – CA (SEIU-CA)**
- **Local Health Plans of California (LHPC)**
- **California Association of Health Plans (CAHP)**
- **California Association of Public Hospitals (CAPH)**

Panel 2:
- **California Association for Health Services at Home (CAHSAH)**
- **California Association of Adult Day Services (CAADS)**
- **Congregate Living Health Facilities Association**
- **The Children's Partnership (TCP)**
- **California Pan-Ethnic Health Network (CPEHN)**
- **Western Center on Law and Poverty (WCLP)**
- **California Chiropractic Association (CalChiro)**
- **California Orthotic and Prosthetic Association (COPA)**

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS and panelists to respond to the following:

DHCS

1. Please provide an overview of the types of reimbursement codes and other investments included in the 2024 provider rate increases and investments package.

2. Please provide a brief overview of each of the proposed categories of investment described in the department's targeted rate increases policy paper.

3. Please provide a brief overview of the Community and Hospital Outpatient and ED Facility Services changes, particularly the transition to the OPPS.

4. Does the department have any additional details on the Behavioral Health Throughput and Medi-Cal Workforce Pool portions of the proposal?

5. Please describe how the department plans to implement the equity adjustments to the provider rate increases. How will these adjustments support the goals stated in the policy paper of improving access in areas with provider shortages or other challenging social drivers of health?

6. Please describe how these proposed rate increases would impact providers in the Hearing Aid Coverage for Children Program (HACCP).

CMA:

1. Please describe how CMA members, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax.

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

CHA:

1. Please describe how CHA members, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax.

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. How would the Administration's hospital-related reimbursement proposals impact the financial sustainability of distressed hospitals?

4. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

CAPH:

1. Please describe how CAPH members, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax.

2. In particular, how would the investments related to designated public hospitals improve the financial sustainability of public hospitals that serve a high proportion of Medi-Cal beneficiaries?

3. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

4. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

Planned Parenthood:

1. Please describe how Planned Parenthood clinics, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax.

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

4. How would Planned Parenthood clinics utilize these resources to improve the availability of abortion services for Californians and individuals traveling to California from nearby states with restrictive or uncertain legal landscapes for abortion services?

CPCA:

1. Please describe how CPCA member clinics, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax.

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

4. Please describe the impacts on clinic finances of the transition of the supplemental payment pool, including the proposed MCO tax investments, to a directed payment.

SEIU-California:

1. Please describe how SEIU members, as well as the Medi-Cal program generally, would benefit from the Administration's proposed targeted rate increases and investments from the MCO tax, including both the Medi-Cal Workforce Pool proposal and reimbursement rate increases more generally.

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

Local Health Plans of CA:

1. Please describe how local health plans have implemented, in the case of 2024 rates, and will implement, in the case of 2025 rates, the provider reimbursement rate increases in the Administration's proposal?

2. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

3. Has the availability and potential future availability of these resources affected rate negotiations with network providers?

4. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

CAHP:

1. Please describe how Medi-Cal managed care plans have implemented, in the case of 2024 rates, and will implement, in the case of 2025 rates, the provider reimbursement rate increases in the Administration's proposal?

2. Has the availability and potential future availability of these resources affected rate negotiations with network providers?

3. Have there been any challenges with implementation of the previously approved rate increases in 2024 that the department should avoid when implementing the 2025 investments?

4. Are there any adjustments to the Administration's proposal that you believe would better improve access to care, quality of care, or equity, for Medi-Cal beneficiaries?

PDN Coalition (CAHSAH):

1. Please describe the updated proposal to increase reimbursement for private duty nursing presented to the subcommittee during last year's budget process.

2. How would increased reimbursement for private duty nursing improve the ability for medically complex and vulnerable pediatric and adult Medi-Cal patients to remain stably in a home- or community-based setting?

3. Please describe how lack of available private duty nursing services impacts hospital inpatient stays and discharge planning.

CAADS:

1. Please describe the proposed rate increase and other reform proposals related to Community-Based Adult Services (CBAS).

2. How would these proposals improve the financial stability of CBAS centers and expand access to CBAS services for Medi-Cal beneficiaries?

CLHF Association:

1. Please describe the proposed adjustment to daily rates for Congregate Living Health Facilities (CLHFs).

2. How would this proposed adjustment improve the financial stability of CLHFs, and improve access to CLHF services for medically fragile Medi-Cal beneficiaries?

3. Please describe the role CLHFs play in providing discharge options for medically fragile individuals in hospital inpatient settings.

CPEHN:

1. Please provide CPEHN's analysis of the adequacy and effectiveness of the equity adjustment included in the Administration's proposal.

2. What changes or improvements could be made to the Administration's equity adjustments to accomplish their stated goals of addressing geographic shortages in access to equitable health care, and addressing the social drivers of health?

3. How could DHCS improve its methodology for identifying and/or investing in reducing disparities in delivery of health care to Medi-Cal beneficiaries with these resources?

The Children's Partnership:

1. Please describe how multi-year continuous eligibility for children ages 0-5 would improve access to, and continuity of, care for California's children.

2. Given the billions of dollars of investments in Medi-Cal proposed through the MCO tax, does the coalition supporting this proposal believe it would be reasonable for the Department of Finance to conclude that resources are not available to implement this proposal at May Revision?

Western Ctr on Law and Poverty:

1. Please describe how reforming the maintenance need income level to calculate "share of cost" would expand eligibility and improve care options for California's seniors and persons with disabilities.

2. Given the billions of dollars of investments in Medi-Cal proposed through the MCO tax, does the coalition supporting this proposal believe it would be reasonable for the Department of Finance to conclude that resources are not available to implement this proposal at May Revision?

California Chiropractic Association:

1. Please present the Association's proposal to restore the chiropractic benefit in Medi-Cal.

2. Please describe the barriers to accessing chiropractic services, for those for whom the benefit is still available, imposed by the two visit per month cap included in current regulations.

COPA:

1. Please present the Association's proposal to increase Medi-Cal reimbursement rates for orthotics and prosthetics providers using MCO tax resources.

2. Does the Association have an estimate of how many providers would expand services for Medi-Cal beneficiaries if provided a reimbursement rate increase?

3. Please describe how improving access to orthotics and prosthetics services helps improve quality of life for patients in need and avoid utilization of more costly medical services.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, April 25, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Governor's Proposed Cuts to Child Welfare Programs

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Jennifer Troia, Chief Deputy Director, Department of Social Services (CDSS)
- Marlon Davis, Department of Finance (DOF)
- Angela Short, Principal Fiscal & Policy Analyst, Legislative Analyst's Office (LAO)
- Simone Tureck Lee, Director of Housing and Health, John Burton Advocates for Youth (JBAY)
- Wednesday Pope, Folsom Lake Community College Student and JBAY Youth Advocate
- Gabriel Skydancer, FURS Program Supervisor, LA County Department of Children and Family Services
- Craig Vincent-Jones, Deputy Director, Children's Medical Services, LA County Department of Public Health
- Ed Center, Foster-to-Adopt Parent, San Francisco County
- Christopher Hernandez, Statewide Legislative Coordinator, California Youth Connection

Proposed Cuts to Child Welfare Programs – Governor's Budget. The Governor's budget proposes to permanently eliminate ongoing funding for several programs that are currently serving children and youth in foster care, including:

- **Eliminate Family Urgent Response System ($31.2 million).** Family Urgent Response System (FURS) is a free, 24/7, immediate, trauma-informed support for children and youth currently or formerly in foster care and their caregivers. It consists of a statewide hotline and county-based mobile response teams, which provide in-person support, usually within one hour, to help stabilize a placement or de-escalate a situation. The Governor proposes to permanently eliminate all FURS funding of $31.2 million ($30 million General Fund) beginning in 2024-25.

- **Eliminate the SILP Housing Supplement ($25.5 million).** The Supervised Independent Living Placement (SILP) Housing Supplement is designed to support housing stability for youth in foster care ages 18-21 by adding a monthly supplement to cover housing costs. The SILP is scheduled to be fully implemented in 2025-26. The Governor's budget proposes to eliminate the SILP Housing Supplement, generating $25.5 million ($18.8 million General Fund) in savings beginning in 2025-26. However, the Governor's budget also proposes to increase overall SILP rates as part of permanent foster care rate reform, which is covered in Issue 2 of this agenda.

- **Eliminate the LA Public Health Nursing Early Intervention Program ($8.3 million).** The LA Public Health Nursing Early Intervention (PHNEI) Program funds public health nurse interventions for families in Los Angeles experiencing health issues endanger child health, safety, and family stability. The goal of this program is to decrease child entry or re-entry into the child welfare system. The program is in the early stages of implementation. The Governor proposes to permanently eliminate this program beginning in 2024-25, generating $8.3 million in savings.

Eliminate the Housing Navigators Program under Department of Housing and Community Development ($13.7 million). The Housing Navigation and Maintenance Program is administered by the Department of Housing and Community Development (HCD). This program pays for supportive services and access to federal housing vouchers for former foster youth. While this program is not administered by CDSS, the Governor's proposed elimination of this program would primarily affect current and former foster youth. Prior to the creation of the Housing Navigators Program, California was underutilizing available federal housing vouchers available for foster youth. According to JBAY, the number of federal vouchers utilized in California has increased by 54 percent, drawing down $22 million in federal funds, since the enactment of the Housing Navigators program.

Revert funding for LA Child Welfare Stabilization ($100 million). The Governor's budget proposes a reversion of $100 million for the Los Angeles Child Welfare Stabilization Fund in 2023-24. This funding was provided to supplement existing child welfare funding for family reunification, prevention, and other services following the expiration of federal funding for these activities. The Administration has stated that they have already received the invoice from LA County for the full amount of this appropriation, and thus the $100 million in savings will not materialize. The Administration will update the budget accordingly at May Revise.

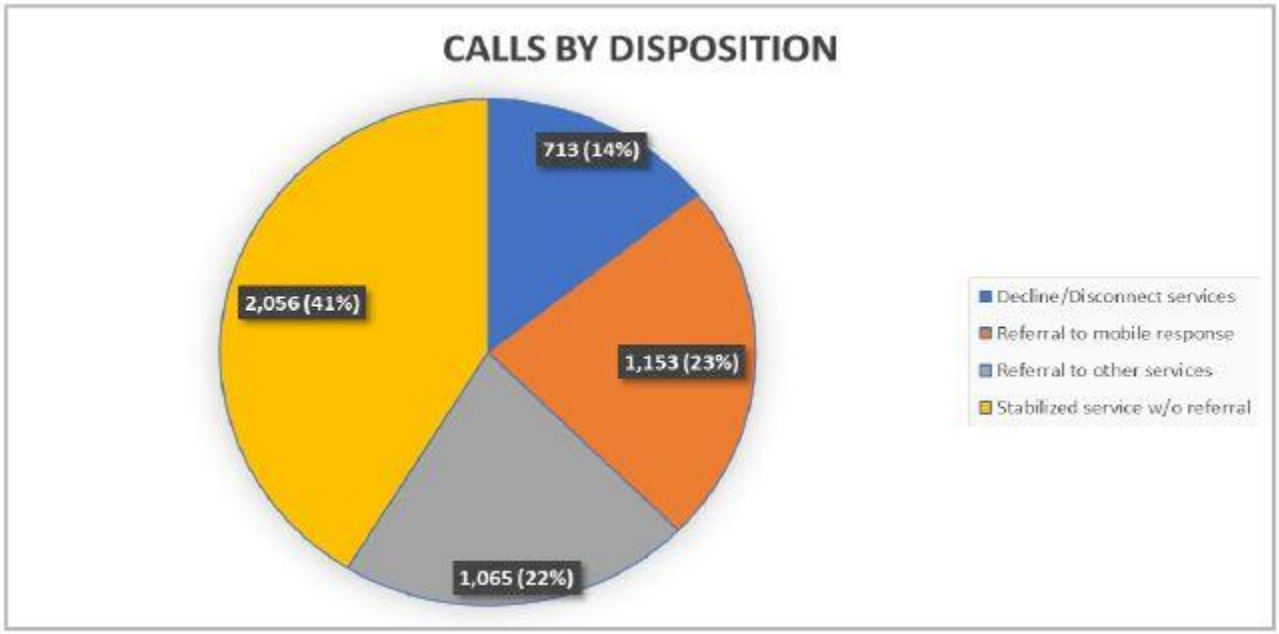
Background on FURS. FURS was established in 2019 and provides immediate support to current and former foster youth and their caregivers who are experiencing emotional interpersonal conflict or other immediate needs that threaten to destabilize the child's placement. Supports include a state-level phone-based response system augmented by a county-level in-home response system to assist during situations of instability in placements. The 24-hour hotline provides a toll-free number that offers immediate phone assistance with operators trained in conflict resolution and de-escalation techniques. The 24-hour county mobile response teams are deployed as needed by the hotline staff. The mobile teams provide an in-person, in-home response, if needed, to help defuse and stabilize a situation, assess the caregiver's and youth's needs, and develop a plan of action to help avoid placement disruptions.

A total of 4,987 calls were made to the hotline in the period of January 1, 2023, to December 31, 2023. 1,090 of those calls resulted in an in-person mobile response. 2,086 calls were initiated by caregivers and 738 were initiated by current and former foster youth. Of the 2,086 calls made by caregivers, the largest group were foster caregivers (61.4 percent), followed by adoptive parents (8.2 percent). Relative/non-relative extended family members and biological parents each represented just over seven percent of the total calls.

Hotline Caller Type		
Caregiver	2,086	41.8%
Youth in Foster Care	469	9.4%
Former Foster Youth	269	5.4%
Peer	14	0.3%
Sibling	*	*
Other	683	13.7%
Ineligible Caller	627	12.6%
Other Family Member	170	3.4%
CPS Staff	61	1.2%
County MR Provider	287	5.8%
Law Enforcement	98	2%
Legal Counsel	*	*
Other Service Provider	176	3.5%
School Personnel.	26	0.5%
Total	*4,987*	*100%*

** Denotes a masked cell. Values are not visible to protect the confidentiality of the individuals summarized in the data.*

The following chart demonstrates the majority of calls (41.2 percent) were stabilized at the hotline without requiring any additional referrals to other services. Approximately 23.1 percent of all calls are referred to counties for a mobile response and another 21.4 percent of callers are provided referrals to other services, while 14.3 percent of callers either disconnect or decline services.



Source: CDSS

According to data provided by the Los Angeles County Department of Children and Family Services, which receives the most requests for FURS support, 87 percent of FURS in-person mobile responses result in a stabilized placement. According to Children Now, the percentage of youth who have been in foster care and moved three or more times is at an all-time low of 26.7 percent, which represents a 20 percent decrease since the implementation of FURS. Adoptive parents and resource families have testified that the FURS intervention enabled them to work through unstable situations that otherwise could have permanently changed the trajectory of the child and family.

Background on SILP Housing Supplement. The 2023 Budget Act established the SILP Housing Supplement, which supports nonminor dependents (ages 18-21) in foster care by supplementing their SILP rate with a housing supplement. The supplement is calculated as the difference between one-half of the federal fiscal year 2023 fair market rent for a two-bedroom apartment in the county in which the nonminor resides and 30 percent of the basic SILP rate. This increase was approved by the Legislature as part of the 2023 Budget Act as a response to homelessness among current foster youth. According to the CalYouth study, one in five, or approximately 20 percent, of foster youth have experienced homelessness as nonminor dependents (age 18, 19, or 20).[1]

The 2023 Budget Act includes $1 million in 2023-24, $200,000 in 2024-25, and $25.5 million ($18.8 million General Fund) in 2025-26 and ongoing for the SILP Housing Supplement. Trailer bill language establishes the housing supplement and requires CDSS to calculate this housing supplement by November 1 of each year.

Background on the LA Public Health Nursing Early Intervention (PHNEI) Program. This program was authorized in 2019 to support children who are at risk of being placed in the child welfare system in Los Angeles County by providing foster care public health nurses as an early intervention on an ongoing basis. Public health nurses will provide children and their families with preventative services that meet their medical, and behavioral health needs, with the goal of improving outcomes by maximizing access to health care, health education, and connection to safety net services. In the first year of the allocation, statute required that the Public Health Department in Los Angeles work with the Department of Health Care Services (DHCS) to develop a plan for implementation and claiming the federal dollars that were required to be secured through the statute.

Although this program was originally authorized in 2019, the COVID-19 pandemic and other administrative issues caused delays, leading implementation to begin in 2023. LA County reports that they have developed the program and hired nurses to begin working with families. As of March 2024, CDSS has received four invoices for services rendered through December 2023. The fourth invoice was submitted on February 1, 2024.

Stakeholder Concerns with Governor's Proposed Eliminations of Child Welfare Programs. A broad coalition of stakeholders, including former foster youth, child welfare advocates, caregivers, providers, and counties are opposed to the Governor's proposed cuts to child welfare programs, stating that "we must

[1] Feng, H., Harty, J., Okpych, N. J., & Courtney, M. E. (2020). Memo from CalYOUTH: Predictors of homelessness at age 21. Chicago, IL: Chapin Hall at the University of Chicago.

not address this shortfall at the expense of our children and youth in foster care to whom the state has a legal and moral responsibility."

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that the Governor's proposal to eliminate FURS would take away a vital service that thousands of children and caregivers in the child welfare system currently rely on. FURS is uniquely designed to respond to de-escalate and stabilize children and youth in foster care; there is no equivalent service that can provide the level of support currently provided by FURS.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. Please explain the Administration's rationale for the proposal to eliminate the Family Urgent Response System (FURS). Why was this program selected to be eliminated, and why is the Administration proposing to eliminate it on a permanent basis? What does the Administration expect to be the effect of eliminating this service for children in foster care and their caregivers?

2. Please explain the Administration's rationale for the proposal to eliminate the SILP Housing Supplement. How does the new SILP rate under the department's proposed rate reform compare to the SILP Housing Supplement?

3. Please explain the Administration's rationale for the proposal to eliminate the LA Public Health Nursing Program. How much of the 2023-24 allocation has been spent to date? What services have been provided and what are the anticipated outcomes?

Issue 2: Foster Care Rate Reform

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Kim Johnson, Director, and Angie Schwartz, Assistant Deputy Director, CDSS
- Marlon Davis, Department of Finance
- Angela Short, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Kristina Tanner, Statewide Policy Coordinator, California Youth Connection
- Eileen Cubanski, Interim Executive Director, County Welfare Director's Association
- Chris Stoner-Mertz, CEO, California Alliance of Child & Family Services
- Jennifer Rexroad, Executive Director, California Alliance of Caregivers
- Jennifer Rodriguez, Executive Director, Youth Law Center

Trailer Bill Language – Governor's Budget. The Governor's budget proposes trailer bill language establishing a new permanent foster care rate structure pursuant to California's Continuum of Care Reform (CCR). CDSS is proposing a rate structure that has three tiers to address the needs of children as identified by the Child and Adolescent Needs and Strengths (CANS) assessment, regardless of their placement setting. There are three components of the Tiered Rate Structure: Care and Supervision Rate, Strengths Building Allocation, and Immediate Needs Allocation.

Governor's Budget Includes $12 million in 2024-25 for Automation costs. The Governor's proposed budget includes $12 million General Fund for automation costs to implement the new rate structure into the California Statewide Automated Welfare System (CalSAWS) and Child Welfare Services – California Automated Response and Engagement System (CWS-CARES).

Existing Law Requires New, Permanent Foster Care Rate Structure. Since 2017, CDSS has been operating under an interim foster care rate structure. Existing law specifies legislative intent to establish a permanent rates structure by January 1, 2025. The 2022 Budget Act extended the original timeline for the development of this rate structure from 2022.

Background on Current Interim Foster Care Rates. The current interim rate structure became effective January 1, 2017, and consists of the following:

- **Home-Based Family Care Rate.** The interim home-based family care rate structure is based on the child's Level of Care (LOC), which is a tool used by local child welfare staff to assess the care and supervision needs of foster children, and match those needs to a board and care rate. There are four levels of care and corresponding rates for foster youth placed with resource families: the basic rate (LOC 1,), LOC 2, LOC 3, and LOC 4. If youth are assessed as having certain care needs requiring higher levels of support, they may be eligible to receive a higher rate for specialized models of care.[2] The interim home-based family care rates apply to the following placement types:
    - **Resource family homes**. Resource family homes, formerly known as county-operated foster homes, receive a home-based family care rate based on the child's LOC. Resource

[2] LAO, "The 2024-25 Budget: Child Welfare," February 26, 2024.

family homes receive an annual increase to the home-based family care rate based on the California Necessities Index pursuant to Welfare and Institutions Code (WIC) 11461(g)(4)). The basic rate for a home-based caregiver is $1206 per month.

- **Foster Family Agencies (FFAs).** FFAs are private non-profit agencies that oversee resource family homes and provide enhanced case management for children or youth typically because they have heightened needs, are sibling groups, or have other needs. FFAs receive a rate that is composed of two types of costs: appropriate Level of Care home-based family care rate based on the child's LOC, and an additional amount to provide for the administration/supports and services/case management provided pursuant to WIC 11463. The care and supervision portion of the rate is adjusted annually with the home-based family care rate. The administration portion that corresponds to the services/supports are not adjusted annually.

- **Intensive Services Foster Care.** Intensive Services Foster Care placements receive a rate that is composed to two types of costs: a Level of Care home-based family care rate based on the child's LOC, and an additional amount depending on how the home was certified. Resource parents must undergo additional training to receive the higher Intensive Services Foster Care rate. Determination of eligibility for Intensive Services Foster Care is done using the LOC. When the placement is into a certified FFA home, the FFA also receives a higher administrative rate to serve the Intensive Services Foster Care home.

- **Short Term Residential Therapeutic Program Rate**. Short Term Residential Therapeutic Programs (STRTPs) receive a flat rate to provide care and supervision and core services for children and youth with significant behavioral needs pursuant to WIC 11462. Residential settings such as STRTPs and Community Treatment Facilities have their own rates structure and do not receive a home-based family care rate when a child or youth is placed there.

Proposal Bases Rates on Child's Assessed Level of Needs and Strengths. The Level of Care Rate Determination Protocol was developed as an interim solution when the interim rates structure was implemented. The state's intention was to move towards a validated tool to determine the strengths and needs of the individual child when implementing a permanent rates structure.

The Child and Adolescent Needs and Strengths Tool (CANS) is a validated functional assessment tool which assesses well-being, identifies a range of social and behavioral healthcare needs, supports care coordination and collaborative decision-making, and monitors outcomes of individuals, providers, and systems. The CANS is well established and has been implemented statewide since 2018.

The data from the CANS can be aggregated and analyzed through an approach known as a Latent Class Analysis (LCA). LCA is a measurement model in which individuals can be classified into mutually exclusive and exhaustive classes based on their pattern of answers on a set of variables. According to CDSS, many other jurisdictions use the CANS to support decisions around rates, placements, and service array. The CANS data provides concrete information about children's current strengths that need to be maintained, as well as those strengths in need of additional development. The proposed permanent rate structure utilizes the CANS to establish tiers that determine the rate available to support each child. The rate is not tied to the placement type.

The CANS must be completed within 60 days of a child entering care and every six months during the time the child is in foster care.

Proposal Includes Tiered Rate Structure that follows the Child, not the Placement. Under the proposed rate structure, a child would fall under a certain "tier" or category, based on their CANS assessment. Under the rate structure (below), a child's tier would be either Tier 1, Tier 2, Tier 3, or Tier 3+, based on the child's CANS assessment and their age.

Rates Include Three Key Components. Under the department's proposal, rates would be comprised of three components:

- **Care and Supervision**. This component is intended to fund the basic care and supervision of the child and would be paid directly to the caregiver.

- **Strengths Building and Maintenance**. This component of the rate is intended to fund activities that build strengths and positive childhood experiences, such as extracurricular activities, sports, and other activities of the child's choosing. This funding is rooted in evidence that participation in enrichment activities can help young people heal, promote supportive social connections, and provide opportunities to develop valuable skills. The Strengths Building funds would be provided by an independent spending plan manager working with the child and family to pay directly for the child's chosen activities. According to CDSS, focusing on strengths building activities will help prevent youth from developing more complex needs and stabilize children in the families where they are placed.

- **Immediate Needs.** The Immediate Needs funding would fund an array of integrated services and supports for children with higher levels of needs, such as behavioral health treatment. These services would be provided via an array of providers and community-based organizations as part of a network developed by the county. According to CDSS, by basing the rate on the child's immediate needs and strengths, rather than tying the rates to the child's placement type, this helps to make sure even those children with the highest level of need can be supported in a family home and, ideally, the home of a relative or extended family member. STRTPs and other community organizations can also receive the funding associated with providing services and supports to address those immediate needs without requiring that the child be physically placed in a facility, or the funds can support a child's placement in an STRTP, if warranted.

For children placed in a FFA home or STRTP, there is an additional administrative rate to cover recruitment, retention, approval, training, and other administrative costs.

According to CDSS, the additional Strengths Building and Immediate Needs components of the rate are designed to promote positive experiences for all young people in foster care and to increase the number of children continuously living with their siblings and in stable family homes with relatives or extended family members. Data and research highlight the benefits to children and youth of living with their relatives and kin. For example, California's outcomes indicate that when placed in a non-relative setting, only 24 percent of children remain in their first placement at 12 months in care. By comparison, when placed in a relative setting, 71 percent of children remain in their first placement at 12 months in care. California's placement data also indicates that 53 percent of children in a non-relative placement are placed with all of their siblings, whereas 73 percent of children in a relative placement are placed with all of their siblings.

The rates structure is provided below:

Proposed Permanent Foster Care Rates Structure Framework

Tier 1 (74% of children and youth) (Latent Classes 1 and 2 for the 0-5-year-olds and Latent Classes 1, 2, and 3 for the 6+ year olds)	
Care and Supervision Paid to the caregiver	$1,788
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$500
Immediate Needs	NA
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$1,610

Tier 2 (19% of children and youth) (Latent Class 3 for the 0 – 5-year-olds and Latent Classes 4 and 5 for the 6+ year olds)	
Care and Supervision Paid to the caregiver	$3,490
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$700
Immediate Needs County or contracted provider coordinate services	$1,000
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3 (ages 0-5) (4.5% of children and youth) (Latent Class 4 for 0 – 5-year-olds)	
Care and Supervision Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$1,500
FFA Admin (for youth placed in an FFA) *Recruitment, retention, approval, training, etc.*	$2,634

Tier 3+ (ages 6+) (2.5% of children and youth) (Latent Class 6 and 6a for 6+ year olds)	
Care and Supervision Paid to the caregiver	$6,296
Strength Building and Maintenance Child and Family work with a Financial Management Coordinator	$900
Immediate Needs County or contracted provider coordinate services	$4,100
FFA/STRTP Admin (for youth placed in an FFA or an STRTP) *Recruitment, retention, approval, training, etc.*	$7,213

Multi-year Funding. After the $12 million in automation costs included in the 2024-25 budget, the funding to implement the new permanent rate structure would begin in 2026-27. At full implementation, the cost is approximately $1 billion.

	Proposed Expenditures (Dollars in Millions)						
	2023-24	2024-25*	2025-26*	2026-27*	2027-28*	2028-29*	2029-30*
General Fund	-	$12	-	$425	$647	$873	$896
Federal Fund	-	-	-	$77	$125	$175	$193
County Fund	-	-	-	$4	$7	$9	$10
Total	-	$12	-	$506	$779	$1,057	$1,099

*Estimate; Excludes state operations costs.
**Proposal is the estimated incremental increase in cost over the Interim Rates Structure.

Trailer Bill Language Summary. The trailer bill language is extensive and can be found in full on the Department of Finance's website. A summary of the trailer bill language is below:

- Establishes the Tiered Rate Structure, beginning July 1, 2026, or the date that CDSS notifies the Legislature that the CalSAWS system can perform the necessary automation to implement the rate structure.

- Provides CDSS with the authority to implement the Tiered Rate Structure via written guidance until the adoption of regulations, no later than January 1, 2035.

- Requires CDSS to issue guidance to county placing agencies and Title IV-E Tribes to implement the Tiered Rate Structure, including standards for CANS assessment fidelity, when the CANS assessments should be completed or updated, and guidance regarding how to implement tier transitions for a child based on subsequent CANS assessments.

- Requires annual adjustments to the Care and Supervision rate component based on the California Necessities Index.

- Requires CDSS to determine a schedule for transitioning children in current foster care placements on July 1, 2026, no later than January 1, 2028.

- Clarifies that specified components of the Tiered Rate Structure will not apply to:

    - Transitional housing (care and supervision rate will not apply and the rate for care and supervision is set forth in WIC 11403.3, however the child/youth would still be eligible for Strength Building and Immediate Needs Program funds based on their assessed tier).

    - SILPs (care and supervision will be equivalent to Tier 1 of the new rate and NMDs in SILPs will be eligible for Strength Building based on Tier 1 but will not be eligible for Immediate Needs funding).

    - Vendorized home of a regional center (care and supervision rate the child is eligible for is set by Department of Developmental Services and the child would still be eligible for Strength Building and Immediate Needs Program funds based on their assessed tier).

    - Temporary shelter care facility or transitional shelter care facility (care and supervision component of the rate is not available, however the child would still be eligible for Strength Building and Immediate Needs funds based on their assessed tier).

    - Nonrelated Legal Guardianships ordered through probate court (tiered rate structure does not apply).

- Establishes relevant definitions for the Tiered Rate Structure.

- Provides CDSS with the authority to implement specified oversight and audit provisions regarding foster care providers via written guidance, until the adoption of regulations, no later than January 1, 2035.

- Requires each child's case plan to include the child's most recent CANS assessment and respective tier, the child's specific Immediate Needs Allocation Plan, and the Strengths Building Spending Plan and Spending Plan Report.

- Requires all placing agencies, defined to mean a county child welfare agency, a county probation department, or an Indian tribe that entered into an agreement pursuant to Section 10553.1, to conduct CANS assessments for every child in foster care under their care, custody, and control. Requires the placing agency to:

- Complete the initial CANS assessment within 60 days of the child's entry into foster care.
- Complete new CANS assessments, at a minimum, every six months after the initial assessment, and more frequently if needed, as described.
- Provides that the CANS assessment shall identify the child's tier for purposes of the Tiered Rate Structure.

- Establishes requirements for CDSS to implement the Immediate Needs Program, including the development of standards of care, including:
  - A methodology for determining the allocation for each placing agency.
  - The establishment of statewide minimum standards for the Immediate Needs Program, in consultation with specified stakeholders.
  - Model contracts for placing agencies to use with providers that align with the established standards of care framework.
  - Processes for certifying Immediate Needs Providers, whether a placing agency or contracted provider, to provide services consistent with the standards of care, including requirements specific to Immediate Needs Providers for Indian children.
  - Guidelines for ensuring each eligible child is provided services and supports consistent with the standards of care framework.
  - Workforce development, training, and curriculum.
  - Development of policies and procedures for statewide collection of data and outcome measures.
- Establishes requirements for placing agencies administering the Immediate Needs Program, including:
  - Submit to CDSS for approval a Placing Agency Allocation Plan that, among other things, outlines how the placing agency will ensure the allocation is used to meet the immediate needs of children and ensure an adequate array of certified immediate needs providers, including providers with specialized knowledge, experience, or training with tribes and ICWA for Indian children in the Immediate Needs Program.
  - Adhere to the Immediate Needs provider certification process, whether doing the provider work directly or through contracts consistent with CDSS models, to provide services consistent with the standards of care, including requirements specific to Immediate Needs Providers for Indian children.
  - Develop a child-specific Immediate Needs Plans for each child, demonstrating how the funding will meet the child's immediate needs and include those plans in the child's case plan.
  - Submit data and outcome measures as requested by CDSS.

- Establishes that Federal Financial Participation (FFP), under the Medi-Cal program, shall only be available for the Immediate Needs Program if medical assistance FFP is available and not otherwise jeopardized. Also authorizes DHCS to issue written guidance regarding the availability of FFP for purposes of this program and other necessary programmatic instructions without taking further regulatory action.

- Authorizes CDSS to implement the Immediate Needs Program via written instructions until the adoption of regulations, no later than January 1, 2035.

- Provides CDSS the authority to receive future payments of the placing agency's allocation and use the allocation to award contracts for the purpose of implementing and maintaining the Immediate Needs Program if a placing agency chooses to enter into an agreement with CDSS to administer the Program, or if a placing agency has failed to adequately administer the program or meet the immediate needs of children, as specified.

- Exempts CDSS contracts awarded for the purpose of this section from specified contracting requirements and review and approval of the Department of General Services or the Department of Technology.

- Establishes the Strengths Building Child and Family Determination Program component of the Tiered Rate Structure, including:

    - Relevant findings and declarations that explain the necessity for, and intent of, the program.

    - Relevant definitions for purposes of the Strengths Building Program.

    - Establishes that the child and family, with support from the Child and Family Team (CFT), shall (1) Develop a Strengths Building Spending Plan and (2) choose goods, services, activities, and supports consistent with program standards and guidelines developed by CDSS.

    - Establishes that each child shall have a Spending Plan Manager, who shall contract with CDSS to pay for goods, services, activities, and supports and provide the child, caregiver/family and placing agency with an itemized monthly contract. The Spending Plan Manager would also ensure any provider has completed a criminal background check if required by state and federal law.

- Requires CDSS to provide oversight of contracts with Spending Plan Managers and to develop a standard of care framework that promotes increased child and family determination.

- Requires CDSS to consult with specified stakeholders in the development of Strengths Building Program standards.

- Requires placing agencies to:

    - Include the Strengths Building Spending Plan and Spending Manager Report in the child's case plan and provide a copy to the CFT and Indian child's tribe, if applicable.

  - Facilitate the CFT meeting in providing support to the child and family in developing the child's spending plan and in selecting goods, services, activities and supports.
  - Provide information and supports to the child and family, upon request, regarding available goods, services, and supports in the community and support the child and family in accessing them.

- Clarifies that the Strengths Building funds must be expended within the fiscal year and before the child exits foster care.
- Authorizes CDSS to award contracts for the Strengths Building program.
- Sunsets ISFC when the Tiered Rate Structure takes effect.
- Makes various technical and conforming amendments.

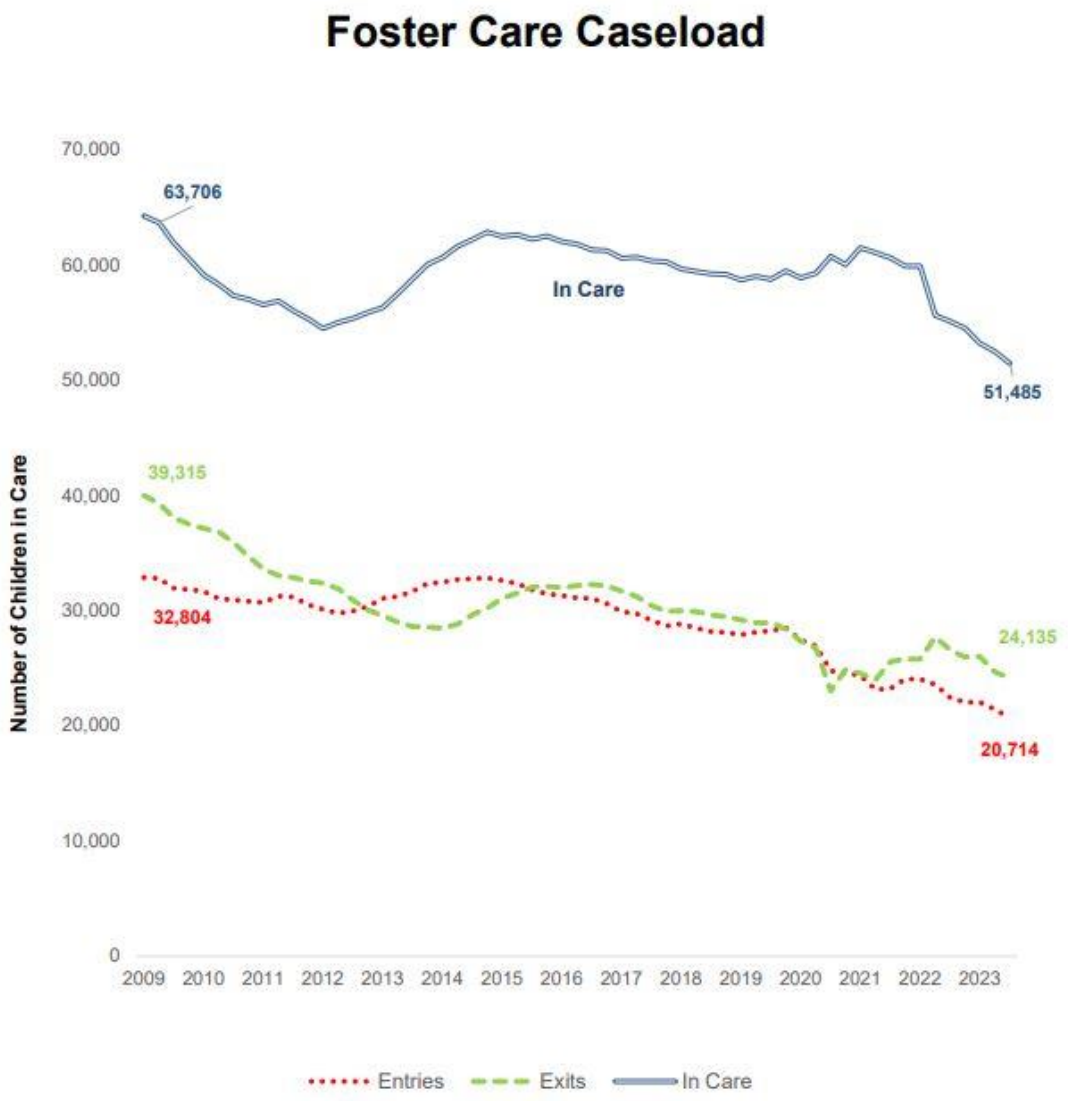
Stakeholder Consultation. CDSS began a workgroup process in the fall of 2022 as part of the development of this proposal. Four rates subgroups met five times each from August - November of 2022. There was broad consensus that current rates are inadequate across all placement settings. Since the release of the trailer bill language, CDSS has continued to meet with stakeholders between February and April 2024 to collect feedback on the proposal and the various implementation components.

Background on Foster Care in California. When children experience abuse or neglect, the state provides a variety of services to protect children and strengthen families. The state provides prevention services—such as substance use disorder treatment and in-home parenting support—to families at risk of child removal to help families remain together, if possible. When children cannot remain safely in their homes, the state provides temporary out-of-home placements through the foster care system, often while providing services to parents with the aim of safely reunifying children with their families. If children are unable to return to their parents, the state provides assistance to establish a permanent placement for children, for example, through adoption or guardianship. California's counties carry out child welfare activities for the state, with funding from the federal and state governments, along with local funds.[3]

According to the LAO, youth in foster care are disproportionately low-income, Black, and Native American. The proportion of Black and Native American youth in foster care is around four times larger than their proportion of the population in California overall.[4]

As of the Governor's budget, there are approximately 51,485 children and youth in foster care in California. Overall foster care caseload has been decreasing, as shown in the chart below.

[3] Legislative Analyst's Office (LAO), The 2023-24 Budget: Analysis of Child Welfare Proposals and Implementation Updates, February 22, 2023.
[4] LAO.



Source: CDSS

Background on Continuum of Care Reform. Significant research documents the poor outcomes of children and youth in congregate care, such as higher re-entry rates into foster care, low high school graduation rates, and increased risk of arrest. The placement of children in group care settings has been increasingly viewed as a temporary solution in instances where emergency or crisis treatment is warranted. To address this, the Legislature passed a series of legislation enacting the "Continuum of Care Reform" (CCR) framework for state and local governments, beginning in 2012. CCR implemented child-and-family centered reforms and developed a continuum of integrated child welfare and behavioral health supports designed to meet the needs of children and families in the child welfare system. Within the past five years, the number of youth placements in congregate care facilities has decreased by 66 percent, in alignment with the goals of CCR, and a higher proportion of children are being cared for in home-based settings.[5] Federally, the Families First Prevention Services Act (FFPSA) is intended to achieve similar

[5] CDSS, Continuum of Care Reform Oversight Report, March 2023.

goals by enhancing support services for families to help children remain at home and reducing the use of unnecessary congregate care placements.

2023 Budget Act Included Temporary Bridge Funding for FFAs. The 2023 Budget Act included $10.1 million ($8 million General Fund) to provide a one-time increase to the current rates paid to FFAs. This funding was intended to assist with social worker retention and act as a bridge between the current FFA rates and the permanent rate structure. Because the proposed permanent rate structure will not implement until 2026-27, FFAs will experience a decrease to the rates in 2024-25, which could negatively impact FFAs.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that the permanent foster care rates proposal represents a major shift in the way the state funds foster care. By designing the rate to follow the child, and not the placement, this proposal aligns with the state's goals of investing in family-based placements to keep children and youth who must enter foster care connected to their relatives and communities of origin. This has the potential to enable children with higher levels of needs to receive services in the home of a relative or other caregiver instead of a facility, strengthening the state's kin-first approach and reducing the traumatic effects of congregate care. Furthermore, current and former foster youth in California have long advocated for the right to extracurricular activities. By creating a separate rate component for strengths building that is directed by the child, this creates an accountable framework for children in foster care to participate in positive childhood experiences that can help them heal.

This is an extensive proposal that will require significant changes not only at the state level, but among placing agencies, counties, tribes, providers, and caregivers, among others. Counties and tribes will need to develop networks of providers for Immediate Needs, and CDSS will need to develop a host of standards and guidance to implement the new rate structure, including setting up the Strengths Building Program. The Legislature may consider how to monitor the various implementation milestones CDSS must meet between approval of the trailer bill language and July 1, 2026, when the new rate structure would take effect. This could include reporting requirements to track progress and ongoing consultation with stakeholders on outstanding questions related to implementation, including if modifications are necessary along the way.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of the department's trailer bill language proposal to implement new permanent foster care rates. How does this proposal address the goals of the federal Families First Prevention and Services Act and the state's Continuum of Care Reform?

2. How does this proposal compare to current foster care rates? How will this proposal address existing barriers to providing care to children and youth with complex behavioral health needs?

3. Please explain the main components of the tiered rate structure, including care and supervision, strength building and maintenance, immediate needs, and administration components. How will this structure account for the individual needs of each child in care?

4. Please describe the Administration's timeline to implement the permanent foster care rate structure. What are the key implementation milestones? How will the Administration work with stakeholders and the Legislature as the policy guidance and standards are developed?

5. How will the department ensure that children in care receive timely and high-quality CANS assessments, regardless of the agency that administers the CANS?

6. How does the department envision the delivery of the strengths building and maintenance funding through an independent spending plan manager? How will the department ensure this funding is directed by the young person and easily accessible?

Issue 3: Proposed Delay of Bringing Families Home Funding

Budget Solution – Governor's Budget. The Governor's budget proposes to delay $80 million in Bringing Families Home funding to 2025-26.

Background on Bringing Families Home (BFH) Program. The BFH Program was established by AB 1603 (Committee on Budget), Chapter 25, Statutes of 2016 to assist individuals and families involved with the county or tribal child welfare systems who are experiencing or at risk of homelessness by providing housing assistance and supportive services. The program follows the Housing First model and incorporates evidence-based housing interventions, including Rapid Rehousing and Permanent Supportive Housing to reduce the number of families in the child welfare system experiencing, or at risk of, homelessness, increase the number of families reunifying, and prevent foster care placement. The BFH program offers financial assistance and housing-related wraparound supportive services including but not limited to, rental assistance, housing navigation, case management, security deposits, utility payments, moving costs, hotel and motel vouchers, legal services, and credit repair.

BFH is an optional, non-entitlement state-funded program that is locally administered by participating counties and eligible tribal entities. BFH has greatly expanded since its inception in 2016, when only 12 counties operated the program. In 2021-22, there was a significant increase in participating counties from 22 counties the prior year to 51 counties due to the one-time investments in the 2021 and 2022 Budget Acts. As of 2022-23, 53 counties and one tribal entity administered BFH, additionally, twenty-four additional tribal entities requested and accepted funding to establish a new BFH program.

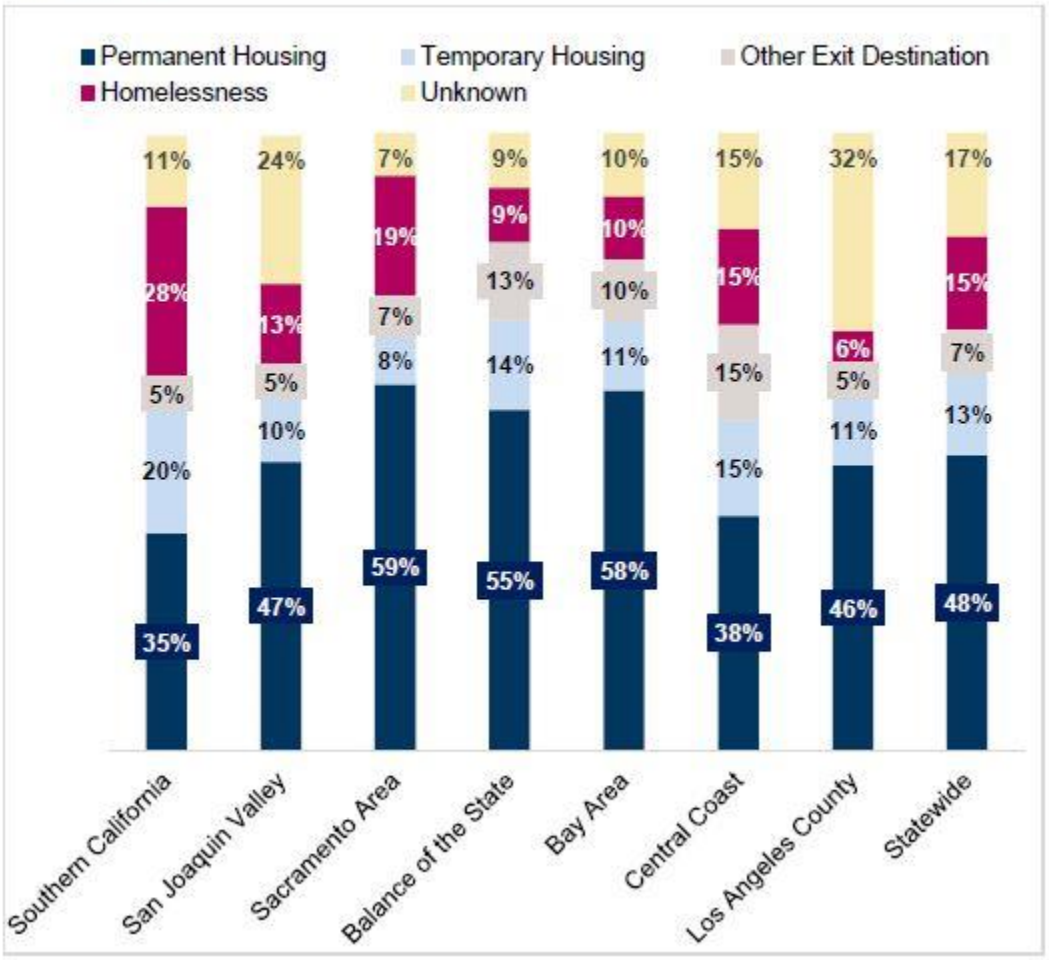
BFH Funding. The 2021 Budget Act appropriated $92.5 million for BFH over multiple years. Similarly, the Budget Act of 2022 appropriated an additional $92.5 million for BFH over multiple years. While initial program funding allocated in 2016-17 and 2019-20 required that counties provide a dollar-for-dollar matching funds, the one-time funding in 2021-22 and 2022-23 waived local matching requirements.

Table 3. BFH Program Appropriations and Expenditures, Fiscal Year 2016-17 through 2022-23

FY	Appropriation Type[14]	Appropriation Amount[15]	Amount Newly Allocated[16]	Actual Amount Expended (not FY Specific)[17]	Amount Remaining as of June 30, 2023[18]	Expenditure Deadline
22-23	One-Time Available for Three Years	$92,500,000	$82,875,000	$23,904,076	$141,845,924[19]	June 30, 2025
21-22	One-Time *Available for Two Years*	$92,500,000	$82,875,000			June 30, 2024
19-20	One-Time Match-Required *Available for Three Years*	$25,000,000	$24,384,559	$23,599,187	$785,372	June 30, 2022
16-17	One-Time Match-Required *Available for Six Years*	$10,000,000	$9,693,460	$9,693,460	$0	June 30, 2022

In 2022-23, 1,996 families were approved to participate in BFH. Since program launch and over time, the majority of families exited from BFH into permanent housing, followed by unknown and/or homeless, temporary housing and other exit destination. The chart below shows housing outcomes at program exit by region for 2022-23.

Figure 10. Percentage of Housing Outcomes at Program Exit for BFH by Region, Fiscal Year 2022-23



According to CDSS, a recent study published by Chapin Hall at the University of Chicago examined the outcomes of families served by the BFH program in San Francisco County, from 2017 to 2023. The BFH families in this study were predominantly single parent households experiencing homelessness, with a majority of the households including young children (age five or under). Most caregivers identified as Black or Latino. Most of these families found stable housing, usually within four months of enrolling in the program. Family and caregiver wellbeing improved while families were engaged in the program, especially in the domains of residential stability, family functioning, and substance use problems that require treatment. The San Francisco BFH evaluation further found that the large majority of participants that exited the program within the study's observation period (163 out of 170) were able to obtain housing;

and 81 percent of those participants who obtained housing were stably housed 6 months after program exit.[6]

In addition, the Children's Data Network at USC and California Policy Lab at UC Berkeley conducted a statewide evaluation of the BFH program assessing the inaugural two years of BFH from 2017- June 2019, in which 12 counties piloted BFH. The evaluation examined the housing and homelessness outcomes of BFH program participants, and the child welfare outcomes of BFH program participants as compared to non-BFH child welfare recipients with similar demographic characteristics. Some key findings of this report, which is currently being finalized, include:

- Enrollment in BFH reduced the use of emergency shelter and transitional housing by 50 percent and doubled the use of rapid re-housing services in the six months following program entry.

- BFH families with a child in foster care and receiving family reunification services were 68 percent more likely to have a family reunification at the 180-day mark than non-BFH families.

- Most BFH families (52 percent) that exited the program by the end of the program's second year left to permanent housing and only three percent reported exiting to homelessness.

Purpose of the $80 Million Delay. According to CDSS, this proposal is based on point-in-time information, and is intended to smooth out funding into 2025-26 based on how expenditures have been trending and provide grantees an additional year for expenditure. CDSS is still gathering updated expenditure information and based on this information, if there are any erosions, will make updates in the May Revision.

The latest spending data on BFH available shows that about $11.2 million of the 2021 Budget Act funding was spent and $22.4 million of the 2022 Budget Act funding was spent. However, this is data from June 30, 2023, and it is likely that significant expenditures have occurred since this data was reported.

Subcommittee Staff Comment and Recommendation – Hold Open. While the Administration insists that the purpose of this proposed delay is to right-size funding across the expenditure period and allow grantees more time to continue operating programs, the programmatic impacts of delaying the funding is unclear.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. Please describe the one-time investments in Bringing Families Home in the 2021 and 2022 Budget Acts. How has this funding supported children and families who are involved in the child welfare system and experiencing housing instability?

2. Please explain the Administration's proposal to delay $80 million in Bringing Families Home funding to 2026. What is the carry-over from prior years that will be available for counties and grantees?

[6] Rhodes, E., Dworsky, A., & Brooks, L. (2024). Bringing Families Home San Francisco evaluation report. Chapin Hall at the University of Chicago.

3. What is the department's goal in terms of the programmatic impact of this delay? How would it be implemented, and how would the delay affect participants in counties who are spending this funding more quickly?

Issue 4: Child Welfare Services – California Automated Response and Engagement System

Budget Change Proposal – Governor's Budget. The Office of Technology and Solutions Integration (OTSI) requests $173.4 million ($88.1 million General Fund, $84.3 million federal funds, and $988,000 reimbursements) for 2024-25, along with five new, permanent OTSI positions. Additionally, OTSI requests provisional language to increase project expenditure authority up to an additional $52 million ($26 million General Fund). The requested funding and positions provide the resources to continue the design, development, and implementation activities for the Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) and CARES-Live. This funding is consistent with project costs that were approved in the 2023 Budget Act in accordance with Special Project Report (SPR) 6.

Background on CWS-CARES. CWS-CARES is a statewide case management and data solution for child welfare services to replace the state's current system, known as CWS/CMS. The replacement of the current CWS/CMS system is needed to meet federal requirements. According to OTSI, CWS-CARES will:

- Allow key members of the Child and Family Team (CFT) to have direct access to enter information or access shared information to support case plan and service delivery.
- Allow children and their families to be at the center of decision making by providing families with direct access to help them have access to key information and communicate with their worker.
- Provide timelier service delivery and enable social workers to spend less time doing data entry and more time working directly with families.
- Increase process and system efficiency, resiliency, quality, and maintainability across the state.
- Track cost at the individual level (a step towards tracking dollars to outcomes by person and by program).
- Support achievement of the Comprehensive Child Welfare Information System (CCWIS) certification requirements to maintain federal financial participation (FFP) funding and avoid large state repayments and federal non-compliance penalties.

According to OTSI, funding to continue the CWS-CARES project is necessary to improve the quality and overall effectiveness of statewide child welfare delivery while also meeting the CCWIS regulations that secure retention of federal funding. The existing CWS/CMS system was initially implemented in 1997 and is not compliant with the CCWIS federal and state laws, regulations, or policies, which has resulted in the following:

- The state is unable to collect 54 of the 205 total Adoption and Foster Care Analysis and Reporting System (AFCARS) fields, resulting in federal penalties assessed quarterly. In addition, CDSS committed to collection of an additional 85 data elements related to the Indian Child Welfare Act (ICWA) that are not able to be collected in CWS/CMS.

- Counties have had to invest resources and local funding into systems and workarounds to track data to help them in managing their programs rather than into staffing or direct services. Often data in these systems are not accessible for state and federal reporting, resulting in a lack of complete and accurate data statewide.

- Counties and tribes are unable to quickly implement new changes to the system. Implementation of prevention services under the federal Family First Prevention Services Act (FFPSA) are dependent on having a consistent statewide data collection system to allow for state and federal reporting required to draw down FFP.

- End-users have adopted time-intensive manual processes and created external systems to bridge gaps in the CWS/CMS functionality, impacting the ability to efficiently provide consistently high-quality services across the state.

This project will deliver the core CWS-CARES solution through two versions: CWS-CARES Version 1 (V1) and CWS-CARES Version 2 (V2). The CWS-CARES V2 extends the functionality of the CWS-CARES V1 with data-intensive features supporting CCWIS compliance and continuation of interfaces, external systems, and Child Welfare Contributing Agencies, thus making it a more efficient and effective system for users.

In 2019, CDSS and OTSI delivered several feature sets using the custom development approach, including the Child Welfare History Snapshot, Facility Search, and Child and Adolescence Needs and Strengths Assessment (CANS). These three feature sets in production today are referred to as maintenance and operations "CARES-Live."

On May 27, 2021, the project selected Resource Family Approval (RFA) Application Submission, Review, and Approval process as the greenfield demonstration module for the CWS-CARES. The development and functional testing of planned feature sets was completed on December 31, 2021, and the RFA Application process went live on January 31, 2022, with Fresno County being the first of five counties to receive the RFA rollout. The remaining counties went live on February 22, 2022.

The project submitted SPR 6, which was approved in May 2023. SPR 6 describes the CWS-CARES project status and updated plan for the CWS-CARES Design, Development & Implementation (DD&I) activities. Since then, the project has completed two additional product milestones with functionality related to Investigations Engagement and Determination. Additionally, several new milestones have started including Prevention Services, Case Closures, Warrants, Court Hearing Framework, Other Hearings, and Eligibility Programs.

Resource and Staffing Request. This request is for funding for state, county, and vendor resources; hardware/software; and core constituent participation to continue the DD&I of the CWS-CARES project to replace the existing legacy system. This request for continued funding is consistent with SPR 6 and the work to be completed in 2024-25. The chart below summarizes total project funding for 2024-25. Note that this includes General Fund and federal funds, as well as provisional authority included in the 2024-25 budget request. The $225.4 million total includes the requested $52 million in provisional authority. Of the total requested funding including provisional authority, $114.1 million is General Fund.

Attachment 2 – Project Budget Detail

2024-25 Budget Change Proposal - CWS-CARES

Project Budget Detail

Budget Category	2024-25 Proposed CWS-CARES Costs	2024-25 Proposed CARES-Live Costs	2024-25 Total Proposed Costs
CWS-CARES Project			
OTSI Personal Services	**14,332,163**	**2,778,782**	**17,110,945**
Hardware/Software	**14,510,388**	**889,301**	**15,399,689**
Contract Services	**133,673,178**	**3,766,645**	**137,439,824**
CARES Development Services	120,045,707	0	120,045,707
CARES-Live Services	0	3,226,203	3,226,203
Project Management Services	4,741,511	91,283	4,832,794
County Consultant Services	8,885,960	449,159	9,335,119
OE&E	**14,179,759**	**7,141,365**	**21,321,124**
OSI Other OE&E (Gen Exp., Travel, and Facilities)	2,882,355	514,070	3,396,425
DGS Fees	1,830,798	376,607	2,207,405
Enterprise Services	6,117,578	1,258,426	7,376,004
Data Center Services	3,349,028	4,992,262	8,341,290
Total OTSI Spending Authority	**176,695,488**	**14,576,093**	**191,271,582**
CWS-CARES Project			
CDSS Personal Services	1,520,000	0	1,520,000
CDSS Other OE&E (Gen Exp., Travel, and Facilities)	462,000	0	462,000
Core Constituent Participation	30,822,770	0	30,822,770
IPOC Contract Services	800,000	0	800,000
County Regional Training Academy	306,251	0	306,251
Tribal Consultant	181,000	0	181,000
**Tribal Participation (Non-Add Line)*	*100,000*	0	100,000
Total CDSS Local Assistance	**34,092,021**	**0**	**34,092,021**
Total Project Budget	***210,787,509***	***14,576,093***	***225,363,603***

* Tribal Participation Costs to be submitted as a separate Premise item and are only reflected in this view for display purposes.

** Of the amounts reflected in the table above, $52,070,000 ($26,035,000 General Fund) is held provisionally.

The five requested positions included in this proposal would add to the 81 existing positions currently at OTSI to support the project. A summary of the requested positions is below:

OTSI Requested Positions Summary

Proposed Resources	Additional Resources for FY 2024-25	Classification
Content Strategist	1 position	Information Tech. Specialist I (ITS I)
Research & Design Lead*	1 position	Information Tech. Specialist II (ITS II)
CDI Data Analytics Specialist	1 position	Information Tech. Specialist I (ITS I)
CDI Data Analytics Lead	1 position	Information Tech. Specialist II (ITS II)
Information Security Analyst	1 position	Information Tech. Specialist II (ITS II)
Total	**5 positions**	

*This position was previously requested in SPR 6; however, the position title and project unit have since been reclassified.

2023 Budget Act – CWS-CARES. The 2023 Budget Act included $130.2 million ($66.6 million General Fund) for 2023- 24 for state operations to continue the DD&I activities of the CWS-CARES project. Budget bill language includes authority to access an additional $70.1 million ($35 million General Fund) should project activities accelerate. Additionally, budget bill language makes expenditure of these funds contingent upon verification of satisfactory progress, as defined, by the Department of Finance, in consultation with the Department of Technology. Budget bill language further requires CDSS to convene monthly meetings with the LAO, legislative staff, the Department of Technology, the Department of Finance, and other relevant parties to review project status reports; provide stakeholders, counties, and the Legislature with monthly project status reports; and schedule an annual progress demonstration. Trailer bill language increases legislative oversight of the project and specifies project objectives.

Total Project Funding. The total project costs through 2028, provided by OTSI, are summarized below.

Total Project Cost Details through 2028:

Cost Category	CARES	CARES-Live
Project Costs (One-Time and Continuing)		
Staff (Salaries & Benefits)	$111,625,168	$20,707,213
Consulting & Prof. Services: Interdepartmental	$16,684,205	$3,121,222
Consulting & Prof. Services: External	$969,938,348	$85,876,580
Consolidated Data Centers	$25,561,033	$4,883,746
Information Technology	$179,485,291	$3,375,931
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other;	$227,183,327	$21,217,358

Cost Category	CARES	CARES-Live
Unclassified/Special Adjustment; Local Assistance)		
Total Project Costs (One-Time and Continuing):	**$1,530,477,372**	**$139,182,050**
Future Ops. IT Staff & OE&E Costs (Maintenance & Operations)		
Staff (Salaries & Benefits)	$32,219,160	$20,141,187
Consulting & Prof. Services: Interdepartmental	$2,575,306	$1,976,783
Consulting & Prof. Services: External	$82,109,226	$36,366,000
Consolidated Data Centers	$9,878,543	$29,161,674
Information Technology	$39,833,683	$5,232,437
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other; Unclassified/Special Adjustment; Local Assistance)	$13,918,154	$18,932,029
Total Future Ops. IT Staff & OE&E (Maintenance & Operations):	**$180,534,071**	**$111,810,111**
	Total CARES Costs	**TOTAL CARES-Live Costs**
	$1,711,011,443	**$250,992,161**
	TOTAL PROJECT COSTS	
	$1,962,003,604	

Subcommittee Staff Comment and Recommendation – Hold Open. As of the February 2024 report to the Legislature, $48.7 million of the 2023 Budget Act appropriation for CWS-CARES had been spent. OTSI reports that this is due to extended invoicing and claiming timelines and that they expect to use the full budget in 2023-24. The Legislature and LAO have requested monthly spending projections for the remainder of the current fiscal year.

Questions. The Subcommittee requests OTSI/CDSS respond to the following:

1. Please provide an overview of this proposal.

2. How much of the 2023 Budget Act appropriation for CWS-CARES has been spent? How does the Administration project spending the full amount in 2023-24?

3. What is the timeline for this project to be completed? How do delays in this project affect implementation of other initiatives, such as FFPSA implementation?

Issue 5: Families First Prevention Services Program Extension

Trailer Bill Language – Governor's Budget. The Governor's budget proposes trailer bill language extend the sunset date, from July 1, 2025 to July 1, 2028, for the Family First Prevention Services (FFPS) Program's contract exemption language consistent with the proposed reappropriation of unexpended funds for this program. This trailer bill language would also authorize CDSS to provide an exemption for small counties, as specified, from the requirement to use FFPS State Block Grant funds as a match for a Title IV-E eligible prevention services, enabling small counties to receive grant funds to provide other prevention services outside of the limited federally eligible Title IV-E prevention services.

Background on FFPS. The 2021 Budget Act appropriated $222.4 million General Fund one-time, currently referred to as the FFPS Program State Block Grant, to support the FFPS Program and expand the continuum of prevention services. WIC 16588(c)(3)(B) requires counties to utilize State Block Grant funds towards the nonfederal share of cost of prevention services as described in federal law. The FFPS Program State Block Grant is available for encumbrance or expenditure until June 30, 2024. Existing law also provides an exemption from state contracting requirements for the FFPS Program through June 30, 2024.

Trailer Bill Language would Extend FFPS Contracts Exemption. Contracts for the FFPS Program support development and implementation of prevention services to strengthen families and prevent children from entering foster care. The statutory exemption for FFPS contracts was created to expedite the procurement of critical services necessary to implement and support the program that would otherwise be subject to personal services contracting requirements. These contracts are not subject to the review or approval of the Department of General Services and are exempt from the competitive bidding process.

CDSS proposes to re-appropriate unexpended funding from the FFPS State Block Grant until June 30, 2028. The department's proposed statutory changes to extend the contract exemption would correspond with the re-appropriation. According to CDSS, without extension of the exemption, contracts are at risk of delays.

Trailer Bill Language would Exempt Small Counties from Match Requirements. Small counties may not have the same infrastructure and resources to immediately implement a Title IV-E eligible prevention service. According to CDSS, statutory change is needed to help make sure small counties can participate in the FFPS Program and provide foster care prevention services in their communities. The requirement that grant funds be used to support a federally eligible Title IV-E prevention service is a barrier to continued participation of small counties. Without this change, many small counties likely will not be able to participate in the FFPS Program, which could further increase program and resource inequities between smaller and larger counties as access to State Block Grant prevention funding will be limited for small counties.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee staff requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 6: Case Review Allocation Adjustment

Budget Change Proposal – Governor's Budget. CDSS requests an increase in reimbursement authority of $1.2 million in 2024-25 and $1.1 million in 2025-26 and ongoing for six positions to address the workload associated with federally mandated activities for the Child and Family Services Reviews. This proposal has no impact on the General Fund.

Background on Child and Family Services Reviews (CFSRs). The CFSR is a federal-state collaborative effort designed to verify quality services are provided to children and families through state child welfare systems. CFSRs are reviews of state child welfare programs and practices which identify strengths and challenges in state programs and systems, focusing on outcomes for children and families.

All 58 counties in California are required by ACF to complete a review of randomly sampled cases based on the combined caseload of the county probation and child welfare agencies, including both in-home and out-of-home cases. CDSS has worked with counties to verify full implementation of CFSR case reviews statewide. Full implementation includes fully trained and certified staff who can complete the required number of high-quality case reviews annually and utilize the data collected to improve practice outcomes. Under the federally mandated CFSR qualitative Case Review process, several small, rural counties have struggled to meet the mandate and have requested state assistance to comply with federal regulations.

In January 2019, CDSS contracted with small, rural counties to complete qualitative case reviews. Eligible counties for contracting are those who are required to complete 20 or fewer case reviews within a federal fiscal year. It was initially anticipated that 10-11 counties would contract for this work. However, 15 small rural counties currently have a contract in place with CDSS, with up to an additional five counties eligible for contracting services. The workload initially projected has almost doubled with the increased number of counties contracting with CDSS.

Additionally, CDSS uses a model of continuous quality improvement (CQI) to develop and refine policies. This framework shifted from compliance-based reviews to outcomes-based reviews after the passage of the state-level Child Welfare System Improvement and Accountability Act in 2001. These qualitative case reviews are an essential component to county and state CQI processes. CDSS currently provides technical assistance and this second-level of quality assurance to make sure there is uniformity across all California counties. The quality improvement framework has been utilized to evaluate the CDSS' effectiveness and enhance the processes to improve permanency outcomes for youth in the foster care and child welfare systems.

Request for Reimbursement Authority and Federally Funded Positions. CDSS conducts qualitative case reviews and contract oversight for rural counties to verify the state and counties are compliant with requirements to continue to receive federal Title IV-E funds and avoid potential federal penalties of up to $21 million annually, which is the lowest amount of penalties during the last Previous Improvement Plan Cycle. According to CDSS, the inability to complete case reviews effectively could impact reporting abilities and could increase penalties to over $75 million. The requested resources, equivalent to six positions, will allow CDSS to fund the additional workload associated with completing the required case reviews from additional counties. According to CDSS, this proposal ensures the state and counties are compliant with requirements which secure continued receipt of federal Title IV-E funds and minimize any penalty exposure.

Subcommittee Staff Recommendation and Comment – Hold Open. Subcommittee staff notes this proposal has no impact on the General Fund.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 7: Child Care Overview

Governor's Budget – Child Care Overview. The Governor's proposed budget includes $7.2 billion ($4.7 billion General Fund) for child care programs in 2024-25. The Governor's budget continues to fund the two-year, collectively bargained rates and parity package funded in the 2023 Budget Act pursuant to SB 140. The Governor's budget includes one major solution related to changing budget processes for CCTR slots, which is covered in Issue 9. The following chart, provided by the LAO, summarizes the total child care budget:

Figure 2

Child Care Budget

(Dollars in Millions)

	2022-23 Revised[a]	2023-24 Revised[b]	2024-25 Proposed[b]	Change From 2023-24 Amount	Change From 2023-24 Percent
Expenditures					
CalWORKs Child Care Programs					
Stage 1	$532	$649	$709	$61	9%
Stage 2[c]	310	470	691	221	47
Stage 3	608	604	572	-31	-5
Subtotals	($1,450)	($1,723)	($1,973)	($250)	(15%)
Non-CalWORKs Child Care Programs					
Alternative Payment	$1,834	$2,054	$2,242	$189	9%
General Child Care and Development[d]	960	1,204	1,500	296	25
CFCC Family Child Care[e]	53	54	54	—[f]	1
Emergency Child Care Bridge	97	94	94	—	—
Migrant Child Care[g]	69	71	71	—[f]	—
Care for Children With Severe Disabilities	2	2	2	—[f]	2
Subtotals	($3,015)	($3,478)	($3,964)	($486)	(14%)
Support Programs	$2,187	$1,539[h]	$1,313[i]	-$226	-15%
Totals	**$6,653**	**$6,740**	**$7,250**	**$510**	**8%**
Funding					
Proposition 98 General Fund[j]	$2	$3	$2	-$1	-37%
Non-Proposition 98 General Fund	2,275	3,283	4,756	1,473	45
Proposition 64 Special Fund	292	270	247	-23	-8
Federal	4,084	3,183	2,245	-938	-29

[a] Reflects 2023-24 May Revision estimates with LAO adjustments.
[b] Reflects *2024-25 Governor's Budget*.
[c] Does not include $11.2 million provided to community colleges for certain child care services.
[d] Reflects funding for centers and family child care home education network providers operating through general child care and development contract.
[e] Reflects funding for family child care home education networks operating through CFCC contract.
[f] Less than $500,000.
[g] Reflects costs associated with Migrant Child Care and Development program and Migrant Alternative Payment program.
[h] Includes cost estimates for quality programs, child care infrastructure, Child and Adult Care Food Program, CCPU Retirement Benefit Trust, accounts payable, whole child community equity, court cases, and costs associated with 2023-24 collective bargaining and parity agreement.
[i] Includes cost estimates for quality programs, Child and Adult Care Food Program, accounts payable, whole child community equity, and costs associated with 2023-24 collective bargaining and parity agreement.
[j] Reflects Proposition 98 funds for Child and Adult Care Food Program.

CCPU = Child Care Providers United.

Source: LAO

According to the LAO, "the Governor's budget increases total funding levels for child care programs in 2024-25 by $510 million (8 percent) relative to revised 2023-24 levels—from $6.7 billion to $7.2 billion. The year-over-year net increase in child care expenditures reflects the net effect of cost increases, savings, and cost shifts. For example, the Governor's budget includes about $460 million to increase CCTR and CAPP slots in 2024-25. These costs increases are partially offset by the expiration of one-time funding in 2024-25 ($336 million total savings). Additionally, we estimate the Governor's budget shifts about $900 million in program costs to the General Fund in 2024-25 as a result of the expiration of COVID-19 federal relief funds."[7]

Background on Child Care Programs. The state funds subsidized child care through vouchers (known as California Alternative Payment Program, or CAPP) and direct contracts (known as General Child Care, or CCTR). These programs are summarized in the LAO chart below.

Figure 1

Overview of Child Care Programs

Program	Description[a]
CalWORKs Child Care	Provides subsidized child care services to current and former CalWORKs families. Slots are available to all children.
California Alternative Payment Program	Provides subsidized child care vouchers to working families. Slots are limited to budget appropriation.
General Child Care and Development	Directly contracts with center-based and licensed family child care providers to serve working families eligible for subsidized care. Slots are limited to budget appropriation.
CFCC Family Child Care	Directly contracts with consortia of licensed family child care providers to serve working families eligible for subsidized care. Slots are limited to budget appropriation.
Migrant Child Care	Provides subsidized child care services to migrant families working in agriculturally related industries.[b] Services are provided throughout the Central Valley. Slots are limited to budget appropriation.
Care for Children With Severe Disabilities	Provides additional access to child care services for children under the age of 21 years and with exceptional needs.[c] Program is located in the San Francisco Bay Area. Slots are limited to budget appropriation.
Emergency Child Care Bridge	Provides temporary child care services to children in foster care system and under age 13. Child care services are temporary until family finds longer-term child care solution.[d]

[a] Unless otherwise specified, child must be under age 13 and families must earn at or below 85 percent of the state median income to be eligible for subsidized child care programs. For example, a family of three cannot earn more than $83,172 annually in 2023-24 to be eligible for programs.

[b] Family earned at least 50 percent of their total gross income from employment in fishing, agriculture, or agriculturally related work during the 12 months immediately preceding the date of application for services.

[c] Child must have an individualized education program or an individualized family service plan issued through a special education program.

[d] Child care services provided up to 12 months, but may be extended for a compelling reason.

[7] LAO, "The 2024-25 Budget: Child Care," April 2024.

Child Care Funding. The state's subsidized child care programs are primarily funded with state General Fund, with a substantial portion of costs also covered by various federal funding sources. The state uses federal Temporary Assistance for Needy Families/Title XX funds to partially cover CalWORKs child care costs. Additionally, the state draws down federal Title IV-E funds to partially cover Emergency Child Care Bridge program costs—referred to as the Bridge program—and federal Child Care and Development Fund (CCDF) dollars to partially cover CAPP and CCTR program costs. As a condition of receiving CCDF dollars, the state must spend a portion of these dollars on activities intended to improve the quality of child care and establish a sliding fee scale for families receiving federally funded subsidized child care.

LAO estimates $700 million in child care funds could go unspent in 2023-24. According to the LAO, "as a part of the 2023-24 budget, the Legislature adopted supplemental reporting language that required DSS to provide, on or before March 1, 2024, an estimate of child care program funds that may go unspent by the end of 2023-24 and what amount of unspent funds cannot be appropriated and would revert back to the state or federal government. Thus far, the administration has provided a point-in-time estimate of unspent child care funds. Specifically, the administration estimates that about $1.4 billion of the funds that were obligated to be expended in 2023-24 and have been put into contract remain unspent as of the end of January 2024. To the extent monthly expenditure trends continue at current levels, we estimate that roughly $700 million ($450 million COVID-19 federal relief funds and $250 million other funds) could go unspent by the end of 2023-24."

Federal COVID Relief Funds. The Governor's budget continues to obligate most of the remaining $1.4 billion in COVID-19 relief funds to offset costs associated with the child care slot expansion plan. (The administration has indicated ongoing slot costs previously covered with federal relief funds would shift to the General Fund once the federal funds expire.) The Governor's budget also obligates a portion of remaining COVID-19 federal relief funds to support various one-time or temporary activities, including infrastructure grants and development of a new child care data system, as shown in the LAO chart below:

Figure 10

Distribution of COVID-19 Federal Relief Funds That Expire September 30, 2024

(In Millions)

	2022-23	2023-24	2024-25	Total
Slot expansion	$544	$779	$38	$1,361
Reimbursement flexibilities	50	—	—	50
Infrastructure grant program	1	24	—	25
Child care data system	1	4	—	5
CDE after school program	3	—	—	3
Totals	**$599**	**$807**	**$38**	**$1,443**

CDE = California Department of Education.

Hundreds of millions in federal funds for child care could revert to the federal government. According to the LAO, COVID-19 Relief funds are being spent at a slower pace relative to initial

estimates. "The administration assumed about $600 million of the $1.4 billion in COVID-19 relief funds would have been spent by the end of 2022-23. However, as of December 31, 2023, only $383 million of the COVID-19 relief funds have been expended. By the end of 2023-24, the Governor's budget assumes only $38 million of COVID-19 relief funds would remain unexpended. However, we estimate that roughly $450 million of COVID-19 relief funds may remain unexpended by the end of 2023-24. The slower than expected expenditures of COVID-19 federal relief funds are likely due to slower than expected slot take-up. To the extent expenditure trends continue to come in lower than initial estimates, hundreds of millions of COVID-19 relief funds would likely revert back to the federal government in 2024-25."

Reversion of hundreds of millions in federal funds for child care was avoided in 2023. As noted by the LAO, "last year, our office identified about $550 million of COVID-19 relief funds that were at risk of going unspent by the September 30, 2023 federal deadline. To avoid these funds from reverting back to the federal government, the Legislature worked with the administration to carry over these unspent funds into 2023-24 and prioritize the use of expiring COVID-19 relief funds prior to using other fund sources, including the General Fund. This approach had the effect of freeing up an equal amount of General Fund, which the Legislature and administration set aside to support costs associated with the child care MOU and parity agreement."[8] The LAO recommends the Legislature direct the Administration to prioritize spending COVID-19 Relief Funds to minimize federal reversion and maximize General Fund savings.[9]

Slot Expansion Plan. As part of the 2021 Budget Act, the Governor and Legislature agreed to increase the number of child care slots by 206,500 across CAPP (142,620 slots), CCTR (62,080 slots), CMAP (1,300 slots), and Emergency Child Care Bridge (500 slots). Initially, these new slots were expected to be fully rolled out by 2025-26. However, as part of the 2023-24 budget, the slot expansion plan was paused for one year, delaying the full roll out to 2026-27.[10]

After CDSS allocates and awards new CAPP and CCTR slots, it typically takes agencies and providers a few months to ramp up capacity to recruit, enroll, and serve additional children. Additionally, some budgeted new CCTR slots may ultimately go unawarded to the extent the department does not receive enough applications. In both cases, a portion of budgeted funds for new slots would go unspent, resulting in one-time savings. Historically, the state would continue to appropriate the same amount of funding needed to fully implement all new CAPP and CCTR slots regardless if the actual number of filled or awarded slots fell below budgeted levels. Any unspent funds result in state savings in subsequent years.[11]

The total subsidized child care slots, reflecting the Governor's proposed changes to the CCTR slot expansion plan (which is covered in Issue 8 of this agenda) is summarized in the chart below:

[8] LAO
[9] LAO
[10] LAO

[11] LAO

Figure 3

Child Care Subsidized Slots

	2020-21 Final	2021-22 Revised	2022-23 Revised	2023-24 Revised	2024-25 Proposed	Change From 2023-24 Amount	Change From 2023-24 Percent
CalWORKs Child Care							
Stage 1	25,018	29,066	48,095	58,322	63,241	10,227	18%
Stage 2	55,484	25,718	26,705	38,427	57,220	11,722	31
Stage 3	66,073	62,464	56,191	51,421	47,782	-4,770	-9
Subtotals	(146,575)	(117,248)	(130,991)	(148,170)	(168,243)	(17,179)	(12%)
Non-CalWORKs Programs							
Alternative Payment	66,712	129,332	161,332	161,332	177,332	16,000	10%
General Child Care and Development[a]	28,375	37,179	49,569	49,569	61,569	12,000	24
CFCC Family Child Care[b]	3,816	3,816	3,816	3,816	3,816	—	—
Emergency Child Care Bridge	5,037	5,537	5,537	5,537	5,537	—	—
Migrant Child Care[c]	3,962	5,262	5,262	5,262	5,262	—	—
Care for Children with Severe Disabilities	111	111	111	111	111	—	—
Subtotals	(108,013)	(181,237)	(225,627)	(225,627)	(253,627)	(28,000)	(12%)
Totals	**254,588**	**298,485**	**356,618**	**373,797**	**421,870**	**45,179**	**12%**

[a] Reflects slots for centers and family child care home education network providers operating through general child care and development contract.

[b] Reflects slots for family child care home education networks operating through CFCC contract.

[c] Reflects slots for Migrant Child Care and Development program and Migrant Alternative Payment program.

Note: Reflects Department of Social Services slot estimates. Under the *2024-25 Governor's Budget*, the number of budgeted slots in each program reflects projections of filled or awarded slots beginning in 2021-22, which is different from historical budgeting practices. Stage 2 does not include certain community college child care slots (less than 1,000 slots annually).

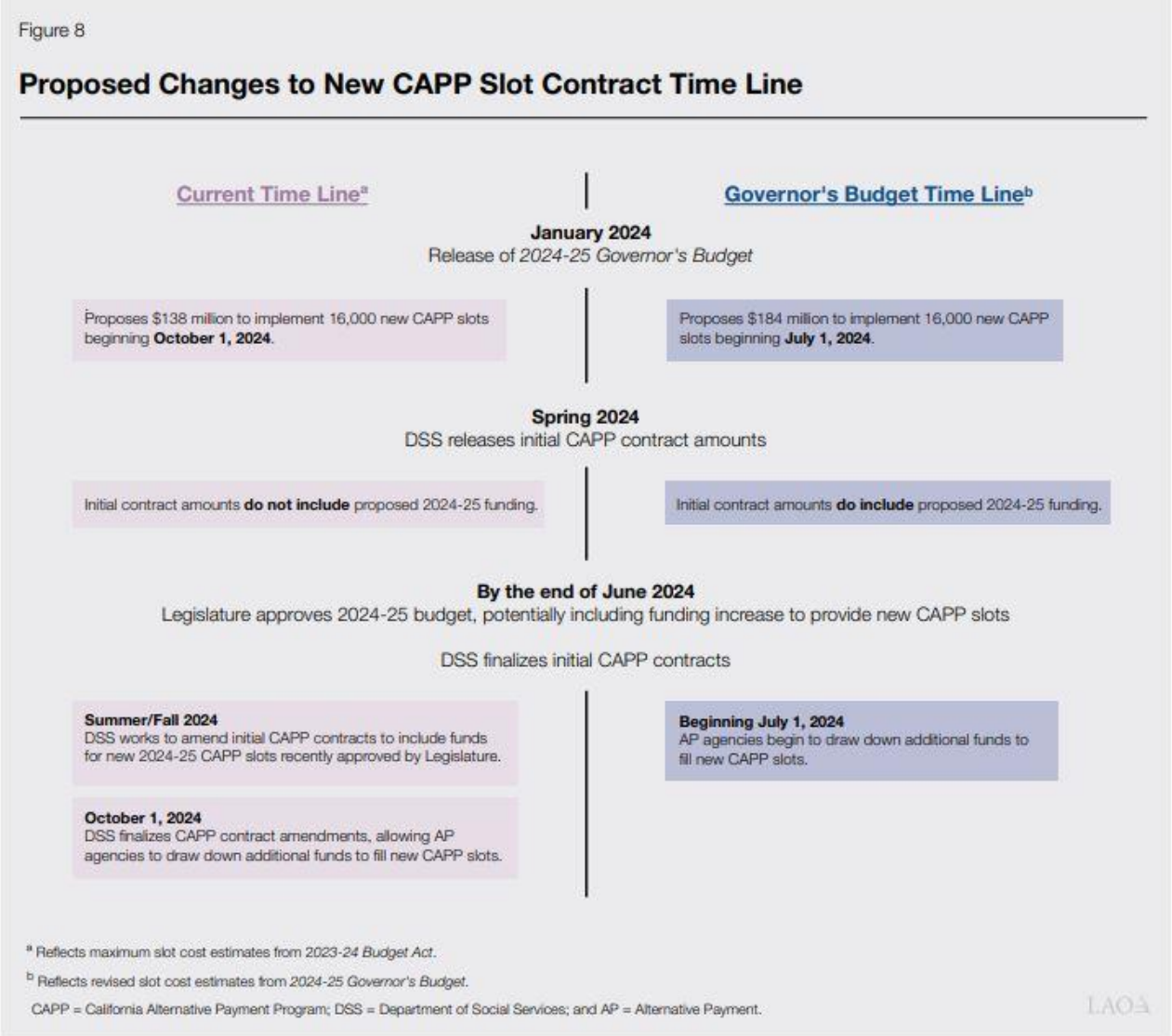
Source: CDSS

Governor's budget adjusts timeline for Voucher (CAPP) and General Child Care (CCTR) slots. The Governor's budget includes one solution to change the process for budgeting CCTR slots, which includes $581 million savings in 2023-24 and $318 million savings in 2024-25. The CCTR budgeting changes are covered in Issue 9 of this agenda. These changes reduce the number of new CCTR slots funded in 2024-25 compared to the slot expansion plan.

In addition to changing the CCTR budgeting process and timeline, the Governor's budget also proposes changes to the CAPP timeline, which incurs General Fund costs but does not affect the total number of CAPP slots awarded.

According to the LAO, consistent with the multiyear expansion plan, the Governor's budget proposes to provide 16,000 new CAPP slots in 2024-25. Under current budgeting practices, the department would have waited until after July 1, 2024 (or when the Legislature approves the 2024-25 budget) to allocate the new CAPP slots and amend existing contracts to include additional funds. Under this practice, the state would have assumed new slots would be allocated and implemented beginning October 1 and would have provided nine months' worth of funding in the first year of implementation ($138 million General Fund). However, the Governor's budget assumes new CAPP slots will be allocated and implemented beginning July 1 and provides 12 months' worth of funding in 2024-25 ($184 million General Fund). Compared to current budgeting practice of assuming an October 1 implementation date, this results in $46 million additional General Fund costs in 2024-25. Additionally, to meet the July start date, DSS would need to

allocate and add funds for new CAPP slots to existing CAPP contracts in the spring of 2024—prior to enactment of the 2024-25 budget.[12] The chart below, provided by the LAO, illustrates the Governor's budget proposed CAPP slot contract timeline:



LAO Recommendation on CAPP Slot Changes. The LAO notes that assuming earlier implementation of new CAPP slots gets ahead of legislative authorization and increases costs. According to the LAO, "we understand that one potential benefit to assuming an earlier July 1 implementation date in CAPP is that DSS would be able to incorporate additional slot funds in initial contracts rather than having to take the extra step to amend contracts after July 1. Additionally, we understand that incorporating additional funds for new CAPP slots in initial July 1 contracts could make it easier for AP agencies to budget expenditures on an annual basis. Depending on how quickly AP agencies ramp up internal capacity to administer new CAPP slots, families may also be served earlier. This proposal, however, would effectively eliminate legislative oversight of total CAPP funding levels by allowing DSS to issue and execute contracts with

[12] LAO

additional slot funds prior to the Legislature enacting a state budget. Moreover, the projected budget deficit makes it so that the state would need to identify $46 million in other budget solutions in each of the next three years to afford this proposal."[13]

Emergency Child Care Bridge Funding. The LAO notes that the Governor's budget does not include carryover of unspent 2022-23 Bridge Voucher funds into 2023-24. "In past years, DSS carried over unspent Bridge voucher funds into the following fiscal year. The Governor's budget, however, does not display the availability of the 2022-23 carryover funds in 2023-24. If these unspent funds were accounted for, total Bridge voucher costs could be offset by $40 million General Fund in 2023-24."[14] LAO recommends reducing 2023-24 Bridge voucher costs by $40 million General Fund to reflect the carryover of unspent 2022-23 funds. In addition, "the Legislature could also ask the administration to provide a more precise estimate of the anticipated unspent 2023-24 funds as a part of the May Revision and proactively sweep these funds as additional budget savings."[15]

Prop 64 Funds. According to the LAO, since 2019-20, an average of $74 million in Proposition 64 funds allocated to child care programs go unspent each year. These Proposition 64 funds went unspent primarily due to slower slot take-up in the CAPP, CCTR, and Bridge programs. Any unspent funds are carried over into the following fiscal year. The Proposition 64 child care carryover balance as of March 2024 totals $296 million.

The administration estimates only $150.5 million of the $269.8 million Proposition 64 allocated to child care in 2023-24 will be spent. The unspent funds will carry forward into 2024-25, increasing the total carryover balance from $296 million to $415.3 million by the end of 2023-24. The Governor's budget does not include a proposal for using this carryover balance.

According to the LAO, "proposition 64 revenues, including carryover funds, are continuously appropriated, meaning that they are allocated by the administration and are not subject to the legislatively driven annual budget process. Proposition 64 carryover funds may be leveraged by the state in various ways. For example, carryover funds could make up for any future declines in Proposition 64 revenues. Alternatively, all or a portion of the Proposition 64 carryover funds could be used to offset General Fund costs in child care programs, resulting in additional one-time General Fund savings. Given the significant budget shortfall, the Legislature could consider working with the administration to determine if and how much of the Proposition 64 carryover funds could be used to maximize General Fund savings."

Increased Federal Funding Available through Child Care and Development Fund (CCDF). The LAO notes that based on actual federal notices of awards for 2023-24 and 2024-25, and increases to overall CCDF funding levels as part of the recently enacted federal budget, California will receive an additional $3 million CCDF in 2023-24. In 2024-25, California will receive an additional $38 million from updated awards, plus approximately $58 million in new CCDF discretionary funding. Some of these dollars do not need to be obligated until September 30, 2025; LAO recommends the Legislature direct the Administration to obligate all available CCDF dollars as part of the May Revision in order to maximize the amount of General Fund costs that could be offset in 2024-25.

[13] LAO
[14] LAO
[15] LAO

2023 Rates Package: Two-year, collectively bargained agreement. According to the LAO, The 2023-24 budget included $1.3 billion in one-time funds from various state and federal fund sources to cover child care costs resulting from the MOU and parity agreement. At the time, the set aside amount exceeded estimated child care-related MOU and parity costs by $106 million. The Governor's budget continues to set aside the same amount of funding to cover child care-related MOU and parity costs. Based on more recent data, CDSS now estimates that total child care MOU and parity costs would be $1.4 billion, which is $213 million above 2023 Budget Act cost estimates. According to the LAO, "we anticipate that a portion of these additional costs would be covered with the previously mentioned unobligated MOU and parity set aside funds ($106 million). Beyond the unobligated MOU and parity set aside funds, the state would need to provide an additional $107 million to cover the remaining amount of child care-related MOU and parity costs. Given the projected budget deficit, the Legislature could re-appropriate a portion of the previously identified funds that are projected to go unspent to cover the remaining amount of child care-related MOU and parity costs not covered by the MOU and parity set aside."[16]

LAO Estimate of Total Savings in Child Care. In total, the LAO recommends scoring additional one-time General Fund Savings in child care, as shown below:

Figure 4

Recommend Scoring Additional One-Time General Fund Savings

LAO Estimates (In Millions)

Additional Savings	
Offset costs with unspent COVID-19 federal relief funds[a]	$450
Offset costs with Proposition 64 carryover funds[b]	415
Proactively sweep potential unspent 2023-24 funds[c]	280
Offset costs with additional CCDF[d]	89
Offset Emergency Child Care Bridge costs with 2022-23 carryover funds	40
Additional Costs	
Increase funding to cover higher than estimated MOU and parity costs	-$107
Increase funding to reflect actual CCTR award amounts	-22
Net Savings	**$1,145**

[a] Assumes funds can offset slot costs and free-up General Fund.

[b] Reflects administration's estimate of carryover balance by the end of 2023-24. Proposition 64 revenues are continuously appropriated, meaning the administration would need to redirect carryover funds to offset General Fund costs.

[c] Reflects rough LAO estimate of program funds that will go unspent by end of 2023-24, including estimate of $30 million unspent General Fund from the Emergency Child Care Bridge program. Assumes savings from non-General Fund sources can be used to offset General Fund costs in 2023-24.

[d] Reflects net amount of available CCDF dollars after backing out increase to federally required CCDF quality set aside (about $10 million).

CCDF = Child Care and Development Fund; MOU = Memorandum of Understanding; and CCTR = General Child Care and Development.

[16] LAO

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that in 2023, CDSS was successful in ensuring that federal relief funds were "spent first" on allowable federal purposes in order to avoid any significant reversion of federal funds designated for child care to the federal government. In 2024, it will again be necessary for the Administration to prioritize spending federal relief funds both (1) to avoid any reversion of funds intended for child care to the federal government, and (2) to free up General Fund in the child care budget. The Legislature should also consider the additional non-federal fund savings identified by the LAO.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. The LAO estimates approximately $450 million in federal relief funds could go unspent by the end of 2023-24. What is the Administration's estimate of this amount? What is the Administration's plan to ensure federal relief dollars are spent before General Fund on allowable purposes, to avoid any funding reverting back to the federal government?

2. The Legislative Analyst's Office estimates that another approximately $250 million in other funds could go unspent by the end of 2023-24. What is the Administration's estimate of this amount, based on recent expenditure trends?

3. Does the Administration plan to obligate all available federal Child Care and Development Fund (CCDF) funding in the 2024-25 budget, including newly available federal funds?

Issue 8: Child Care Rate Reform Update

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Lupe Jaime Mileham, Deputy Director, CDSS
- Virginia Early, California Department of Education (CDE)
- Jackie Barocio, Principal Fiscal & Policy Consultant, Legislative Analyst's Office
- Dion Aroner, Child Care Provider's Union (CCPU)
- Donna Sneeringer, Vice President and Chief Strategy Officer, Child Care Resource Center

Background. California provides child care subsidies to some low-income families, including families participating in CalWORKs. For low-income families who do not participate in CalWORKs, the state prioritizes based on income, with lowest income families served first. To qualify for subsidized child care: (1) parents demonstrate need for care (parents working, or participating in an education or training program); (2) family income must be below 85 percent of the most recent state median income (SMI) calculation ($83,172 annual income for a family of three and $96,300 for a family of four); and (3) children must be under the age of 13. The following chart, provided by the LAO, summarizes the state's major child care programs:

State's Major Child Care Programs

Program	Payment Type	Key Eligibility Requirements
CalWORKs Child Care	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are available for all eligible children.
Alternative Payment	Voucher	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.
General Child Care	Direct contract	• Family is low income. • Parent(s) work or are in school. • Child is under age 13. • Slots are limited based on annual budget appropriation.

Source: Legislative Analyst's Office

Subsidized Child Care. The Department of Social Services (CDSS) provides child care and development programs through vouchers and contracts.

- **Vouchers (Also known as California Alternative Payment Program, or CAPP).** The three stages of CalWORKs child care and the Alternative Payment Program are reimbursed through vouchers. Parents are offered vouchers to purchase care from licensed or license-exempt caregivers, such as friends or relatives who provide in-home care. Families can also use these vouchers at any licensed child care provider in the state, and the value of child care vouchers is capped. The state will only pay up to the regional market rate (RMR), a different amount in each county based on regional surveys of the cost of child care. Beginning in 2022, the RMR was set to the 75th percentile of the 2018 RMR survey. Alternative Payment agencies (APs), which issue vouchers to eligible families, are paid through the "administrative rate," which provides them with 17.5 percent of total contract amounts.

- **Contracts (Also known as General Child Care, or CCTR).** Providers of General Child Care, Migrant Child Care, and State Preschool – known as Title 5 programs for their compliance with Title 5 of the California Code of Regulations – must meet additional requirements, such as development assessments for children, rating scales, and staff development. Title 5 programs contract with, and receive payments directly from, CDSS or the Department of Education (CDE), for the California State Preschool Program (CSPP). All Title 5 programs also operate through family child care home education networks, which serve children in those programs through family child care homes that are members of the network.

Child care and early childhood education programs are generally capped programs, meaning that funding is provided for a fixed amount of vouchers and fixed funding amount for slots, not for every qualifying family or child. The exception is the CalWORKs child care program (Stages One and Two), which are entitlement programs in statute.

Collective Bargaining. In 2019, Governor Newsom signed legislation granting collective bargaining rights to child care providers in California, allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. Child Care Providers United - California (CCPU) represents voucher and direct contract providers that are family child care homes, or license-exempt home providers known as Family, Friend, and Neighbor (FFN) providers. In 2021, CCPU and the state negotiated their first Master Contract Agreement, which included rate increases, provider stipends, hold harmless policies, and a variety of other supports. In addition, the contracts included a process for continuing conversations through Joint Labor Management Committees on a single reimbursement rate system, and other provider needs such as retirement, and healthcare, among other topics. The 2023 Budget Act included ratification of a second CCPU collective bargaining agreement, ratified in July 2023, which is summarized below.

Background on Child Care Rate Reform. Pursuant to the 2021 Budget Act, CDSS, in consultation with CDE, convened a Rate Reform and Quality Workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs, informed by evidence-based elements that best support child development and positive child outcomes. The workgroup identified four core recommendations, which are detailed in the full report:

1. Ensure equity is foundational to all change. Work toward equity as an outcome and implement equity as a process.

2. Replace the current methodology of using a market price survey to set rates with an alternative methodology, which uses cost estimates/models to set base rates to compensate early learning and care programs. The costs of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.

3. Create a single rate structure that specifies base rates and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and home-based and center-based early learning and care and should differentiate base rates for meeting different sets of state standards.

4. Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Additionally, the Rate and Quality Workgroup recommended a three-stage implementation process:

- **Stage 1.** Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.

- **Stage 2.** Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.

- **Stage 3**. Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments.

In addition, the Rate and Quality Workgroup delivered a study recommending a cost estimation model to calculate the cost of child care in California, to inform the foundation of the alternative methodology. The cost estimation model included a series of default scenarios based on variables and cost drivers aligned with the Workgroup's recommendations, for each provider type: child care center, small family child care home, large family child care home, and family, friend, and neighbor care.

In November 2022, the Joint Labor Management Committee (JLMC) presented their recommendations for a single rate reimbursement structure to the Administration. The JLMC recommends moving away from the current structure that relies on the RMR and towards a single rate structure that reflects the actual cost of care. This single rate will be based on (1) an alternative methodology that considers a cost estimation model; (2) base rates; (3) incentives/enhancement rate-setting metrics; and (4) evaluation of the rate structure.

2023 Budget Act. The 2023 Budget Act included over $2 billion to implement a two-year, collectively bargained agreement between the state and CCPU. This package consists primarily of monthly per-child rate supplements, and includes funding for one-time transitional payments, CCPU health, retirement, and training programs, reimbursement based on certified need, and a change in the part-time definition. The

package includes parity for center-based child care providers who are not represented by CCPU. A summary of the agreement is included below:

Summary of Collectively Bargained Early Education and Parity Agreement

Across 2023-24 and 2024-25 (In Millions)

	Total Costs
Monthly per-child cost of care plus rate supplement[a]	$915
Administrative funds[b]	250
One-time transitional payment	229
CCPU Health Benefit Trust[c]	200
CCPU Retirement Benefit Trust[d]	160
Reimbursement based on certified need extension	155
Change of part-time definition	104
CCPU Training Fund[e]	15
Total	**$2,028**

[a]Monthly payments issued from January 1, 2024 through June 30, 2025.

[b]Includes administrative funds associated with monthly per-child cost of care rate supplement payments, one-time transitional payments, and other MOU-related activities. Administrative funds are allocated to counties, Alternative Payment agencies, direct contract providers, and a third-party contractor.

[c]Reflects maximum amount of potential annual deposits beginning April 1, 2024.

[d]Reflects initial $80 million deposit and maximum amount of potential annual deposit beginning July 1, 2024.

[e]Reflects maximum amount of potential annual deposit beginning July 1, 2024.

CCPU = Child Care Provider Union and MOU = Memorandum of Understanding.

Move to Alternative Methodology for Setting Child Care Rates. The collectively bargained agreement with CCPU, which was codified in budget trailer bill language through SB 140 (Committee on Budget and Fiscal Review), Chapter 193, Statutes of 2023, requires CDSS, in collaboration with CDE, develop and conduct an alternative methodology for a single rate structure. The alternative methodology is based on a new cost study and cost estimation model, rather than using the Regional Market Rate (RMR), which determines rates based on a percentile of regional costs in the private market.

SB 140 includes a series of milestones for CDSS to track progress towards developing a new single rate structure based on the alternative methodology and receiving federal approval. The SB 140 milestones are summarized below:

- **July 1, 2023:** CDSS, in consultation with CDE, shall begin the process of data collection and analysis to develop an alternative methodology, which shall build on the recommendations of the Rate and Quality Workgroup and the recommendations of the JLMC.

- **February 15, 2024:** CDSS, in collaboration with CDE and the JLMC, shall use information from the cost estimation model to define elements of the base rate and any enhanced rates to inform the state's proposed single rate structure. CDSS is required to report to the Legislature on progress made to conduct and alternative methodology and cost estimation model.

- **May 15, 2024:** CDSS shall report on the status of the draft Child Care and Development Fund state plan to the Legislature.

- **July 1, 2024:** CDSS shall submit the necessary information to support use of a single rate structure utilizing the alternative methodology to the federal Administration for Children and Families (ACF) as part of the Child Care and Development Fund (CCDF) State Plan. SB 140 requires this information to be shared with the Legislature by July 10, 2024.

- **Within 60 days of ACF Approval:** CDSS shall provide the Legislature with an outline of the implementation components of the approved single rate structure, with 30 days for legislative review.

Progress toward rate reform. CDSS received pre-approval from ACF in August 2023 to move forward with a single rate structure based on an alternative methodology for setting child care rates. CDSS has worked with consultant P5 Fiscal Strategies to conduct public engagement, collect data, and develop the cost estimation model. This public engagement work includes public meetings with the Rate and Quality Advisory Panel, over 100 virtual input sessions, multiple ad-hoc focus groups, and a survey to inform the development of the cost estimation model, which received over 9,250 responses.

CDSS has posted its draft Child Care State Plan for 2025-2027, which will include details on the single rate structure.[17] The ACF has recently provided states with flexibility to provide more details on their proposed rate structures after July 1, 2024, in recognition of several states transitioning to an alternative methodology for setting child care rates. CDSS anticipates meeting the July 1, 2024 deadline for submission to ACF.

Defining Elements of the Base Rate and Enhanced Rates. On March 22, 2024, CDSS submitted a report to the Legislature on progress made to conduct an alternative methodology and cost estimate model for child care and development subsidy rates, satisfying SB 140 requirements.[18] This report details the data collection, public engagement, and modeling that CDSS has conducted in the development of an alternative methodology.

In alignment with the SB 140 requirements, JLMC reached general consensus on the definition of base and enhanced rate elements and finalized documents reflecting the agreed upon definitions in March 2024.

[17] https://www.cdss.ca.gov/inforesources/child-care-and-development/fund-state-plan
[18] https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

The details of that agreement are available on the CDSS Rate Reform and Quality website[19] and reflect the rate elements for family child care home providers. The key components of the base and enhanced rate elements, which are included in more detail in the report, are as follows:

Base Rate Elements:

- **Program characteristics**
  - Ratios and group size, as defined
  - Staffing pattern

- **Compensation**
  - Salary/wages. The model allows for various combinations of the following sources:
    - Bureau of Labor Statistics (BLS), 2023
    - MIT Living Wage Calculator for CA, 2023, with family composition adjustment.
    - Hybrid "BLS-Plus" approach that adjusts BLS upward by a percentage that varies by geographic region, using the MIT Living Wage Calculator to inform the adjustments.
    - A regional difference factor may be considered that varies by geographic region.
  - Mandatory expenses related to staffing
  - Discretionary benefits, including paid time off and health benefits

- **Professional Development Supports**
  - Training
    - 16 hours annually or more based on license type
  - Planning time

- **Quality Variables**
  - Family engagement (number of hours per child per year)
  - Child education and development (a flat amount per child and per home)
  - Child health (a flat amount per child depending on license type)
  - Inclusion Supports
    - Includes equipment and special materials, and fixed number of hours per week, based on number of applicable children
  - Dual language learner supports
    - Dollar amount per child per year, including a wage differential for Title 5.

- **Non-personnel Costs**
  - Administration/office costs (flat amount per child, includes supplies like food and diapers)
  - Occupancy (flat amount per child)
  - Education Program (flat amount per child)
  - Operating Reserve (a percent of total expense, based on license type)

[19] https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

Enhanced Rate Elements:

- **Extended Evenings/Weekends**

- **Inclusion Supports**
  - Includes equipment and special materials, and fixed number of hours per week, based on number of applicable children.

- **Child Transportation**
  - Flat amount per child, separate from vehicle expenses, which is included in non-personnel.

JLMC-Defined Rate Elements Include Variables for the Cost Model, but not Dollars. The base and enhanced rate elements listed above, and described in more detail in the JLMC report, include a series of variables that will compose the base rate and any enhanced rates under the new single rate structure. However, it does not include the actual dollar amounts or values that would be assigned for each variable. The cost tool can be run under various scenarios that use differing assumptions based on how the defined variables can be selected or adjusted (for example, whether Bureau of Labor Statistics Data or the MIT Living Wage Calculator is selected for the "compensation" variable.) CDSS refers to these variables as "selection points."

According to CDSS "a selection point is the selection of a particular value that has to be made for each variable that is included as an element of the rate. For example, the Professional Development/Training variable is defined as the number of paid training hours. The actual number of paid training hours used as an input to the cost model is the value assigned to that selection point. The Rate and Quality Systems Structure Review JLMC has agreed upon the definition of base and enhanced rate elements. The selection point values are outside of the scope of what the JLMC was charged with recommending by February 15th."[20] No dollar values have been assigned to any variables, regardless of selection points.

March Report does not Define Rate Elements for Center-Based Providers. CDSS satisfied SB 140 requirements to work with the JLMC to define elements of the base and enhanced rates, and subsequently reported on progress to the Legislature. However, the JLMC report only defines elements of the rate structure for family child care providers (and FFN providers who are also represented by CCPU.)

CDSS has not provided information on how the elements would apply to licensed Title 22 and Title 5 child care centers, but has shared that they considered application to non-represented center-based providers as part of the definition process at the JLMC. The CCDF state plan submitted to the federal government on July 1 will include information on how the single rate structure will apply to child care centers as well as family child care homes. CDSS will also work with CDE regarding center-based providers who are part of the California State Preschool Program (CSPP).

Center-based providers have expressed concern about the lack of information on how the unique needs of center-based providers will be considered in the development of the cost estimation model, and ultimately, rate-setting. In particular, center-based providers have pointed out that the inclusion of Bureau of Labor

[20] CDSS, "Report to the Legislature on progress made to conduct an alternative methodology and cost estimate model for child care and development subsidy rates," March 22, 2024. https://cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality

Statistics (BLS) data as a variable for defining compensation/wages of child care providers could undermine the concept of basing rates on the true costs of care, because BLS data uses the existing market wages for child care providers. The purpose of the alternative methodology is to use a cost estimation model instead of the market rate.

Even after alternative methodology is fully developed and approved, actual implementation timeline for rate setting is unclear. As noted by CDSS in the March 2024 report, the final step subsequent to ACF approval of the alternative methodology is the actual rate setting and implementation.

While ACF requires CDSS to include an implementation plan as part of the state's plan, the new single rate structure will not take effect immediately or automatically upon federal approval, because it is essentially a model. This is no different from the current rate setting approach under the Regional Market Rate (RMR): the state determines rates based on the 2018 RMR Survey, and the state reimburses child care providers at the 75th percent of this rate (plus the rate supplements approved in the 2023 Budget Act pursuant to the CCPU MOU and parity package). Even after ACF approves the state's proposed alternative methodology based on the cost estimation model, reimbursement rates need to be funded as part of the annual budget process.

According to CDSS, "at this step, the cost estimation model is used to inform the state's rate setting and implementation. Pursuant to the 2023-2025 MOU, rate setting will occur following ACF approval of the Single Rate Structure utilizing the Alternative Methodology in the CCDF State Plan. Within 90 days subsequent to ACF approval, the State and CCPU will re-open the Articles of the MOU related to Rates and the Cost of Care Plus Rate for good faith negotiations to restructure the current subsidy reimbursement rates, and the associated funding, to be applied to family child care providers consistent with the ACF-approved Single Rate Structure, and the implementation thereof. Rate setting will occur for non-CCPU-represented provider/program types through the budget process, concurrent with and informed by rate negotiations for family child care providers. Rates will take effect when any other activities reasonably necessary to implementation have occurred such as regulatory and policy guidance, training for contractors, and updates to contracts and necessary data systems."

Subcommittee Staff Comment and Recommendation – Informational Item. No action is needed. Subcommittee staff notes that the current two-year collectively bargained rates package expires June 30, 2025. After the federal government approves the new rate structure, the Legislature and the Governor will need to set new reimbursement rates to take effect July 1, 2025 and appropriate the funding necessary for implementation. Additionally, within 90 days of federal approval, CDSS and CCPU can reopen bargaining negotiations to restructure the current reimbursement rates and associated funding. This timeline assumes that, regardless of the amount of funding appropriated in the 2025 Budget Act, CDSS will have the technical capacity and administrative infrastructure to implement the new rate model. However, CDSS notes in the March 2024 report that rates will take effect "when other activities necessary for implementation have occurred such as regulatory and policy guidance, training for contractors, and updates to contracts and necessary data systems." There is no timeline for these activities and it is unclear how the ramp-up time CDSS may need to implement new rates would align with the expiration of the current two-year collectively bargained rate package on June 30, 2025.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please describe recent progress in the development of the alternative methodology. What are the milestones between now and July 1, 2024, when CDSS must submit the completed state plan to the federal government?

2. After federal approval, likely in fall 2024, what are the department's next steps to implement the alternative methodology? What infrastructure, planning, and administrative changes are needed in order to implement the alternative methodology framework currently in development?

3. At what point will the Administration be prepared to implement the new rate structure envisioned under the alternative methodology framework, assuming federal approval? How does this timeline align with the expiration of the two-year CCPU MOU and parity agreement on June 30, 2025?

4. How will the elements of the base rate be developed for center-based providers? How is the department considering the unique needs and features of center-based providers and taking their feedback into the development of the alternative methodology?

Issue 9: Governor's Proposed Methodology for General Child Care Slots

Panel Discussion. The Subcommittee has invited the following individuals to participate in this discussion:

- Lupe Jaime Mileham, Deputy Director, CDSS
- Tamar Weber, Staff Finance Budget Analyst, Department of Finance
- Jackie Barocio, Principal Fiscal & Policy Consultant, Legislative Analyst's Office
- Ivonne Baltadano, Parent Voices San Francisco
- Christina Moore, MAEd & MBA, Vice President, ECE & Nutrition, Maryvale

Budget Solution – Governor's Budget. While the Governor's budget continues to assume a total of 62,080 new CCTR slots will be added by 2026-27, the administration proposes changes to how these slots are phased in relative to 2023 Budget Act. As a result of these and other changes to the CCTR budgeting process and Request for Application (RFA) time line, the Governor's budget includes, on net, $581 million total savings in 2023-24 and $318 million total savings in 2024-25.

Background on Slot Expansion Plan. As part of the 2021 Budget Act, the Governor and Legislature agreed to increase the number of child care slots by 206,500 across CAPP (142,620 slots), CCTR (62,080 slots), CMAP (1,300 slots), and Emergency Child Care Bridge (500 slots). Initially, these new slots were expected to be fully rolled out by 2025-26. However, as part of the 2023-24 budget, the slot expansion plan was paused for one year, delaying the full roll out to 2026-27.[21] The chart below shows new slots included in the expansion plan (this includes new slots only under the expansion plan, not total slots.)

Figure 5

Child Care Slot Expansion Plan Under *2023-24 Budget Act*[a]

New Slots Added by Program

Programs	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total
General Child Care and Development	46,080	4,000	—	4,000	4,000	4,000	62,080
Alternative Payment	62,620	32,000	—	16,000	16,000	16,000	142,620
Migrant Alternative Payment	1,300	—	—	—	—	—	1,300
Emergency Child Care Bridge	500	—	—	—	—	—	500
Totals	**110,500**	**36,000**	**—**	**20,000**	**20,000**	**20,000**	**206,500**

[a] Does not include proposed changes to CCTR ramp up under *2024-25 Governor's Budget*.

Source: LAO

According to the LAO, "overall, DSS does not release any program funds until contracts have been finalized and executed. In past years, DSS would not award or place into contract funds for new slots until the funds were approved and appropriated by the Legislature through the annual budget process. For example, in 2022-23, the department began to amend initial CAPP contracts after July 1, 2022 with the goal of implementing all the new 2022-23 slots as early as October 1, 2022. For CCTR, the department

[21] LAO

released an RFA in the fall of 2022, with the goal of awarding and implementing new 2022-23 slots as early as April 1, 2023. The department also released an RFA in the fall of 2023 and is currently in the process of determining provider award amounts. The 2023-24 Budget Act appropriated $1.1 billion to support up to 50,080 new CCTR slots intended to be awarded through these RFAs. However, only 21,194 slots have been awarded thus far."

Governor's Budget Revises CCTR Slot Expansion Plan and Timeline. The Governor's budget includes a series of changes to the way CCTR is budgeted, incurring General Fund Savings of $581 million in 2023-24 and $318 million in 2024-25. Below are the LAO's descriptions of each of the CCTR budget changes:[22]

- **Reduces CCTR Budget to Only Reflect Estimated Number of Awarded Slots, Resulting in $662 Million Total Savings in 2023-24 and $385 Million Total Savings in 2024-25.** Between 2020-21 and 2022-23, the state increased funding to support up to 50,080 new CCTR slots, resulting in a $1.1 billion ongoing increase to total program costs. However, as of March 2024, only 21,194 of the 50,080 new CCTR slots have been awarded to providers. The Governor's budget proposes to reduce CCTR funding levels in 2023-24 to only reflect costs associated with the estimated number of awarded slots, resulting in $662 million total savings relative to the 2023-24 Budget Act. Similarly, the Governor's budget proposes to fund a total of 33,194 new CCTR slots in 2024-25, which is about 21,100 fewer slots than what would have been funded under current budgeting practices. This slot difference results in $385 million savings in 2024-25. (The 2023-24 and 2024-25 savings are partially offset by costs associated with other proposed program changes.)

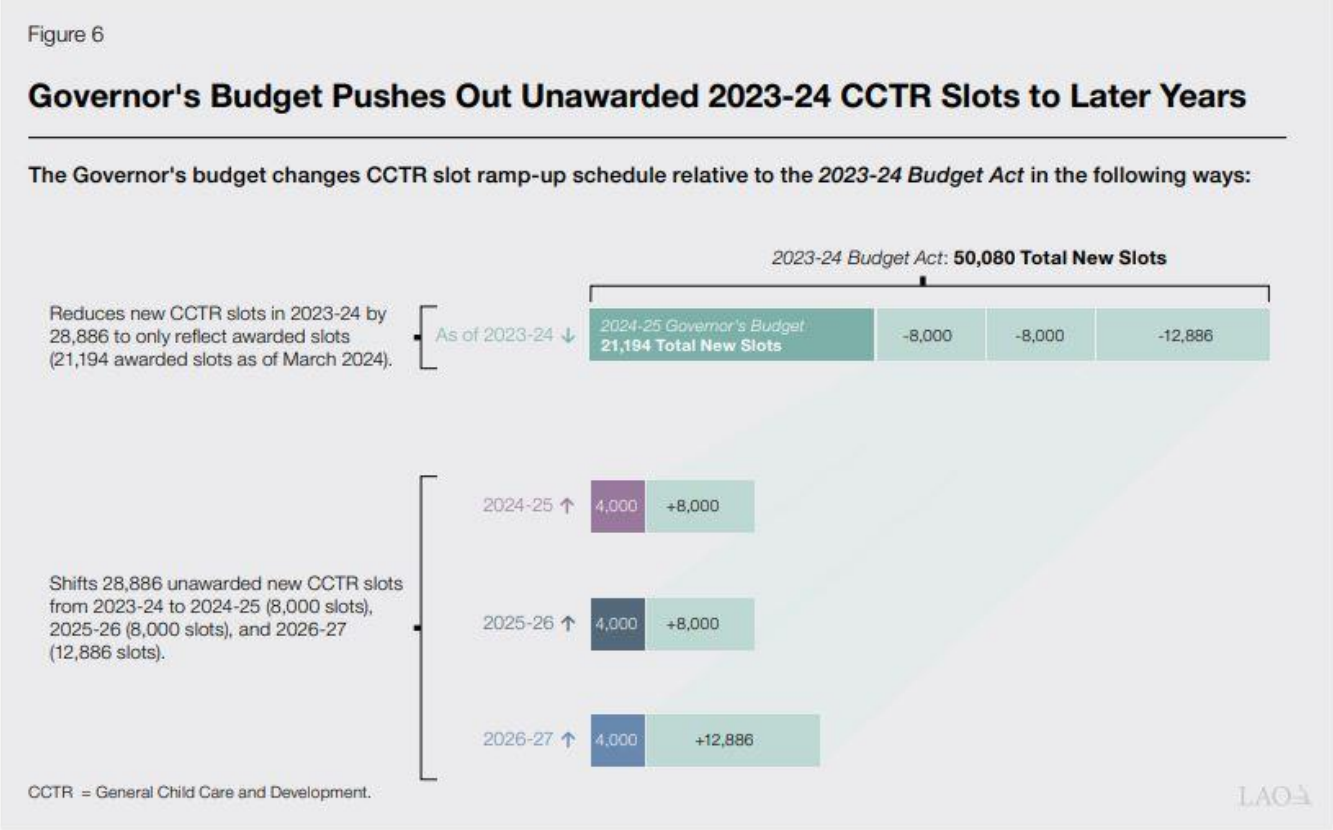
- **Pushes Out Unawarded CCTR Slots From 2023-24 to Later Years**. The Governor's budget reduces the number of budgeted new CCTR slots by 28,886 in 2023-24—from 50,080 to 21,194—to reflect the current number of awarded slots. The Governor's budget assumes the 28,886 unawarded CCTR slots are phased in across 2024-25 to 2026-27 instead.

- **Updates Total Costs Associated With New CCTR Slots Awarded in Fall 2021 RFA and Fall 2022 RFA to Reflect More Recent Cost Per Slot Data.** Under the 2023-24 Budget Act, DSS estimated each new CCTR slot would cost about $22,470 annually across 2021-22 to 2026-27. The Governor's budget estimates that the average costs of new CCTR slots awarded between 2021-22 and 2022-23 is about $26,380 annually (17 percent higher than past estimates), increasing total costs for the slot expansion plan by $81 million in 2023-24. Similarly, the Governor's budget assumes the annual cost per slot after 2023-24 is about $23,150 (three percent higher than past estimates), increasing total costs for the slot expansion plan by $8 million annually from 2024-25 to 2026-27. We understand that the revised cost per slot estimate reflects more recent data on actual program costs.

- **Changes Budgeting Process and Timeline to Award, Put Into Contract, and Implement New CCTR Slots.** The Governor's budget proposes multiple changes to the timing in which new CCTR slots are awarded, put into contract, and implemented. Overall, LAO estimates these changes

[22] LAO

eliminate the need to provide three months of slot funding—$22 million General Fund—in the remaining years of the CCTR slot expansion plan.



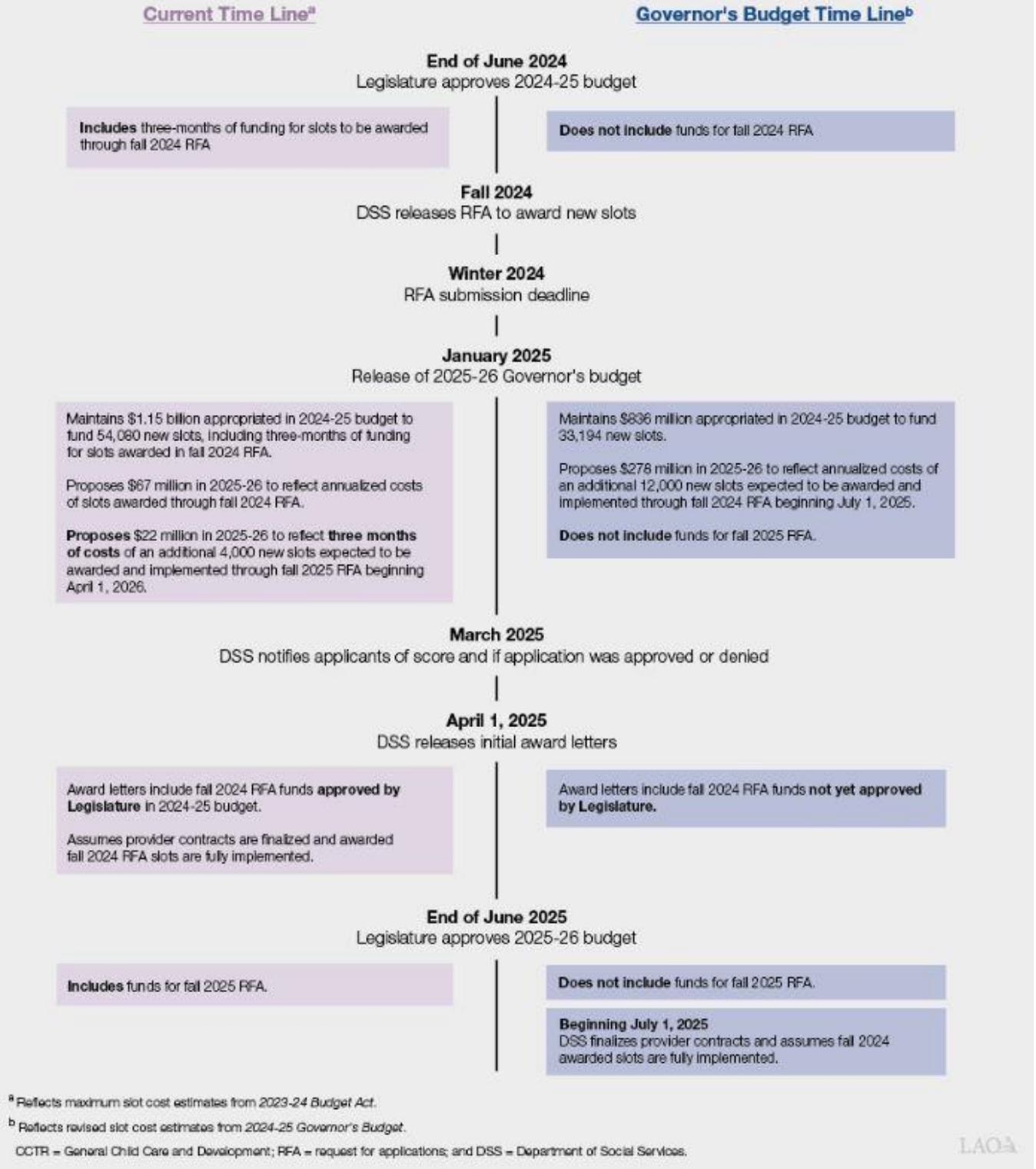
Source: LAO

The LAO chart above demonstrates how the Administration's plan reduces new CCTR slots in 2023-24 and then adds them back in later years of the slot expansion plan.

- **Assumes Later Implementation Date for CCTR Slots Awarded Through Fall 2023 RFA**. Although the state did not provide funding for new slots in 2023-24, the department was able to issue an RFA in the fall of 2023 given the significant amount of previously appropriated funding that had not yet been awarded to providers. As a result of the fall 2023 RFA, the department anticipates awarding at least 12,000 CCTR slots in April 2024. Under the state's current budgeting practices, the state would have assumed all of these awarded CCTR slots would be implemented in April 2024, resulting in three months of costs in 2023-24. However, the Governor's budget assumes all awarded CCTR slots from the fall 2023 RFA would be implemented in July 2024. As a result, the Governor's budget does not need to provide three months of slot funding in 2023-24 ($22 million General Fund). The administration assumes the new July implementation date assumption will apply to all new CCTR slots awarded in future years. The LAO chart below illustrates the department's new proposed timeline for funding CCTR slots.

Figure 7

Proposed Changes to CCTR RFA and Award Time Line



[a] Reflects maximum slot cost estimates from *2023-24 Budget Act*.

[b] Reflects revised slot cost estimates from *2024-25 Governor's Budget*.

CCTR = General Child Care and Development; RFA = request for applications; and DSS = Department of Social Services.

Source: LAO

- **Assumes DSS Would Release Future RFAs and Award New CCTR Slots Prior to Legislative Approval.** By continuing to appropriate funds for slots that had not yet been awarded, the 2023-24 Budget Act provided DSS with the necessary funding authority to release a fall 2023 RFA and issue award letters in the spring of 2024. DSS plans to release a fall 2024 RFA and issue award letters in the spring of 2025. Based on current budgeting practices, the administration would have sought legislative approval to set aside at least three months of new slot funding as a part of the 2024-25 budget process so that DSS has an authorized funding stream to release a fall 2024 RFA and award slots in the spring of 2025. However, the Governor's budget does not propose to provide any funding in 2024-25 to support slots awarded through the fall 2024 RFA. The administration instead plans to seek legislative approval for the necessary funding authority for the fall 2024 RFA as part of the 2025-26 budget process. As a result of no longer proactively proposing a three month set-aside to support future RFAs and award letters, total CCTR program costs decrease by $22 million General Fund in 2024-25 relative to the 2023-24 Budget Act.

- **Includes Provisional Language Allowing Administration to Increase CCTR Funding Levels Mid-Year.** The Governor's budget proposes provisional budget language that would allow the Department of Finance (DOF) to increase CCTR funding levels mid-year if expenditures are "estimated to exceed the expenditures authorized" in the 2024-25 budget. While DOF would be required to report any mid-year augmentations to the Legislature, legislative approval would not be required for the funding augmentation to take effect.

LAO Comments on Governor's Proposed CCTR Budget Changes. The following are LAO's comments on the Governor's proposed changes to CCTR budgeting:

- **Seems Reasonable to Push Out Funding for New CCTR Slots Based on Current Slot Take-Up Trends and Projected Budget Deficit.** As a part of the 2023-24 Budget Act, the state reduced 2022-23 CCTR funding levels to reflect more realistic estimates of expenditures based on the actual number of awarded CCTR slots. Similarly, the Governor's 2024-25 budget reduces the number of funded CCTR slots to only reflect estimates of awarded slots on an ongoing basis. We estimate this change has the effect of reducing total CCTR slot costs, on net, by about $570 million in 2023-24 and about $310 million in 2024-25 relative to the 2023-24 Budget Act. We believe this is a reasonable budgeting approach given the slower than expected take-up of new CCTR slots and projected budget deficit.

- **Slower Than Expected CCTR Slot Take-Up May Be, in Part, Due to Delays in Contracting Processes.** We understand that it takes DSS, on average, between six to seven months to finalize and execute a contract once new CCTR slot funds are awarded to providers. This exceeds the Governor's budget assumption that final CCTR contracts will be executed within three months following the award date. Based on conversations with the department and providers, the delay in executing contracts may be due to various reasons, including the department prioritizing amending contracts for existing providers before executing contracts for new providers, new providers needing additional technical assistance to obtain a state license, and providers receiving conflicting guidance from different DSS staff members on supporting documents needed to execute contracts. Additionally, some CCTR providers have expressed that, given the contracting delays, they may be less likely to apply for additional slot funding in future years.

- **Changes to CCTR Budgeting Process and Time Line for New Slots Reduces Legislative Oversight of the Slot Expansion Plan.** Historically, the Legislature reached an agreement with the administration on the maximum number of new CCTR slots to be added in any given fiscal year and associated funding levels. We are concerned that allowing the administration to release RFAs and award new CCTR slots prior to the enactment of the state budget gets ahead of the Legislature's appropriation authority. Decisions regarding budgeted slots would effectively be based on the spring RFA process, which is completely controlled by the administration. Furthermore, while the provisional language in the Governor's budget requires notification to the Legislature, ultimately it would allow the administration to independently increase CCTR funding levels beyond what was appropriated by the Legislature through the budget process.

- **Unclear Under What Conditions Administration Would Use Provisional Language to Increase CCTR Funding Levels Mid-Year.** The proposed provisional language lacks any detail on how DOF would go about determining whether CCTR funding levels should be increased. Based on our conversations with the administration, CCTR funding levels could be increased if actual costs for slots awarded through the fall 2023 RFA exceed budgeted levels. For example, CCTR funding levels could be increased to address higher than expected cost per slot. Under this scenario, it is unclear how big of a cost difference the administration would need to observe to make a mid-year adjustment. The administration also expressed that provisional language may allow the administration to increase CCTR funding levels in order to issue another RFA and award additional CCTR slots above what was authorized in the 2024-25 budget to the extent provider demand and capacity increases. However, it is unclear how the administration would go about monitoring provider demand and capacity throughout the fiscal year and what amount of excess provider demand and capacity would need to be observed for the administration to make a mid-year adjustment. We also do not know to what extent the administration would consider broader issues, such as the projected multiyear budget deficit, prior to making any mid-year funding adjustments.[23]

LAO recommends the Legislature adopt the Governor's proposed CCTR funding levels to only reflect awarded new slots, but reject the proposed changes to the budget process and timeline for new CCTR slots. According to the LAO, "we believe the administration's proposed changes to the process for issuing new CCTR slots would significantly reduce legislative oversight and input over the slot expansion plan. Specifically, the proposed CCTR time line changes would allow DSS to issue annual RFAs and award slots without the necessary legislative funding authority. While this change would result in some initial General Fund savings, we do not believe the savings outweigh the trade-off of side stepping the legislative budget process. Additionally, the proposed provisional language would allow the administration to independently change the total CCTR funding levels and potentially the total number of funded CCTR slots through mid-year adjustments. The Legislature could reject the Governor's proposal and continue to use the existing process, where RFAs are based on the amount of funding provided in the enacted budget. Under this approach, the Legislature could include a modest amount of funding in the 2024-25 budget as a way to provide DSS with the necessary funding authority to release a fall 2024 RFA. The Legislature could also develop an alternative budgeting approach that achieves the same amount of General Fund savings, avoids any cost increases, and maintains legislative oversight. For example, the Legislature could

[23] LAO

codify the ramp-up schedule for the child care slot expansion plan to maintain legislative input over the maximum number of slots the administration could award in any given year."[24]

The LAO additionally recommends the Legislature explore ways the CCTR contract process can be streamlined to increase the number of awarded and filled slots.

Subcommittee Staff Comment and Recommendation – Hold Open. As noted by the LAO, the Administration's proposed new process for budgeting CCTR slots would allow CDSS to issue annual RFAs and award slots prior to receiving the necessary legislative funding authority in the annual budget act. This would essentially remove legislative input over the slot expansion plan. In both 2023 and 2024, the Administration has proposed various changes to the slot expansion plan – in 2023, the Governor proposed (and the Legislature approved) pausing the 20,000 new slots originally planned for 2023-24, moving the overall 200,000 new slots goal from 2025 to 2026. In this budget, the Administration is essentially proposing to hold new 2024-25 CCTR slots to the amount awarded based on a fall 2023 RFA. While these approaches are different, they both have the effect of slowing down the slot expansion plan. Given these changes, it is important that the Legislature to continue to exercise oversight over the CCTR budget and RFA timeline, to ensure the 200,000 new slots agreed upon materialize in 2026.

One of the reasons the department's revised RFA timeline would involve issuing slot awards without the requisite fiscal authority is because the slot expansion plan agreed to by the Governor and Legislature in the 2021 Budget Act is not codified in statute. Instead, the slot expansion plan has been implemented via appropriation in each year's budget act. The Administration has stated their commitment to reaching over 200,000 new subsidized slots by 2026-27. Codifying the slot expansion plan in statute would maintain legislative oversight and provide transparency on the slot expansion plan moving forward.

Questions. The Subcommittee requests CDSS/DOF respond to the following:

1. How does the Governor's budget change the number of CCTR slots added in future years per the current slot expansion plan?

2. Does the Administration maintain its commitment to funding 200,000 new subsidized child care slots by 2026?

3. How would the Administration ensure legislative input over the number of CCTR slots added in future years per the current slot expansion plan?

4. Where is the Administration deriving the fiscal authority to issue RFAs for new slots prior to the funding for those slots being appropriated in the next year's budget act?

[24] LAO

Issue 10: Child Care Program Staffing

Budget Change Proposal – Governor's Budget. CDSS requests $7.9 million in federal funding authority and permanent position authority for 41 positions and one limited-term position to provide policy, program, and administrative support to child care and development programs. The resources will be funded with federal dollars awarded at consistent annual levels by the federal Administration of Children and Families (ACF) from the Child Care and Development Block Grant (CCDBG) and the Preschool Development Grant (PDG). This proposal has no impact on the General Fund.

Background. The federal and California state governments have invested billions of dollars in critical child care programs, with most of the federal funding provided through the CCDBG. According to CDSS, these historic investments have significantly increased CDSS's workload. A few of the investments include: (1) investments associated with agreements with the Child Care Providers United Union - California (CCPU), (2) expanded access to child care subsidies, (3) establishment and continuation of the Infrastructure Grant Program (IGP), and (4) expenditure authority for the PDG work on behalf of California Health and Human Services Agency. State operations resources did not keep pace with these historic increases in investments; therefore, CDSS lacks sufficient resources to administer child care programs as required by federal and state laws and regulations.

- **CCPU and Bargaining**: The second State of California/CCPU Memorandum of Understanding (MOU) was ratified on September 13, 2023. The MOU extended two previously established Joint Labor Management Committees (JLMCs), to review processes and policies, leading to joint recommendations for investments and policy changes. Without the appropriate leadership position to make decisions for CDSS, the critical workload and urgent decisions that need to be made on behalf of CDSS are unable to be met. The workload associated with the JLMCs was not initially anticipated, and additional management-level support is required to ensure effective oversight of the bargaining relationship.

- **Elevated Response to Critical Family Needs:** CDSS received approximately $5.3 billion in federal relief funds to support child care programs during the pandemic. The funding was used for a variety of supports, including child care vouchers, a multiyear expansion of subsidized child care, waived family fees, and additional paid non-operation days. Several initiatives are ongoing, including the expansion of subsidized child care, continued changes to decrease family fees, the continuation and increased investment in the IGP to improve and increase the supply of child care sites, additional increases in child care provider rates, and a commitment to ensuring that state-subsidized providers can elect payment via direct deposit. CDSS staff supporting these programs have been redirected from other critical areas. This, in addition to insufficient staffing, has resulted in delays in releasing direct deposit and IGP funds.

- **Expansion of Child Care Programs and Training.** CDSS oversees and supports 463 California child care community contractors with 753 contracts and close to 50,000 providers serving over 300,000 children. The recent expansion of the General Child Care and Development (CCTR) over 2021-22 and 2022- 23 resulted in 208 CCTR awards. Of the 208 awardees, 105 agencies were new to CCTR, which includes 68 contractors who will be receiving their first child care and development contract. CCTR program, fiscal, and audit requirements are extensive and require many hours of training and onboarding by the assigned consultant. Proper training and technical

assistance of new contractors is imperative to ensure compliance with existing laws and regulations, including on-site visits.

- **Infrastructure Grant Program:** The 2021 Budget Act included $150 million General Fund to fund new construction or major renovations of existing buildings currently not being used as child care facilities, and $100 million in federal funds from the American Rescue Plan Act of 2020, to fund minor renovations and repairs related to meeting licensing requirements or health and safety standards. The 2022 Budget Act included an additional $100.5 million in federal funds for the minor renovation and repairs infrastructure grant. An estimated 4,500 grants in total are to be processed for payment. While some program resources were received when the IGP program was established, the multi-year requirement for technical assistance and the sheer volume of grants was unknown at that time.

- **Preschool Development Grant (PDG) Unit:** In December of 2015, the ACF issued grant funding to all states for the PDG. The California Health and Human Services Agency transferred the PDG staff unit to CDSS in October of 2022, along with all administrative responsibilities pertaining to the current PDG grant and PDG-Renewal (PDG-R) amounting to $40.2 million of contracts and state operations funds. PDG-R's purpose is to build, strengthen, and maintain an equitable, comprehensive, quality, and affordable Early Learning and Care (ELC) mixed-delivery system for children, families, programs, and workforce development support in our state. Currently, PDG staff are in limited-term positions, and CDSS is requesting permanently funded positions because of the ongoing nature of the PDG work.

Request for Federally Funded Resources and Staffing. The requested positions would be spread across various program units for the increased workload described above. According to CDSS, the department will not be able to fulfill the recent historic investments in child care without these positions.

Program Unit	Funding type	Quantity and Tenure
PDG	Federal Fund (CCDBG)	4.0
Infrastructure Grant Program (IGP)	Federal Fund (CCDBG)	5.0 (including 1.0 one-year LT position)
Training	Federal Fund (CCDBG)	6.0
CCDD Administrative Support	Federal Fund CCDBG	14.0
Support Divisions	Federal Fund CCDBG	13.0

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 11: Child and Adult Care Food Program Staffing

Budget Change Proposal – Governor's Budget. CDSS requests permanent position authority for 26 positions to support the Child and Adult Care Food Program (CACFP). This proposal has no impact on the General Fund.

Background. The CACFP consists of approximately 1,340 participating organizations and over 24,000 sites approved to serve reimbursable meals and snacks to an average of 938,220 Californians a day. The Early Childhood Development Act of 2020 transferred administration of the Child and Adult Care Food Program (CACFP) from the California Department of Education (CDE) to CDSS, effective July 1, 2021. Since the transfer of the CACFP, the CACFP Branch (CACFPB) of CDSS has identified a critical lack of appropriate staffing levels for specific program integrity activities.

Program integrity activities in the CACFP are 100 percent federally funded through the United States Department of Agriculture (USDA) Audit Fund (AF) provided to the CDSS annually. AF resources support federally required program audits and state agency activities that are intended to ensure CACFP program integrity. These state agency activities include the federally required administrative reviews (AR) of participating organizations, annual reviews of participating organizations' updated application materials, pre-approval visits for applicant organizations, data analysis of AR findings to identify trends and gaps, and technical assistance and training for participating organizations to address AR findings.

Currently, for 2023-24, CDSS has $5.3 million budgeted for AF expenditures in the following areas:

Cost Category	Budgeted Amount
Salaries/Fringe Benefits	$4,520,094
Operating Expenses and Equipment	$172,000
Indirect Costs	$635,000
Total Costs	$5,327,094

CDSS expects to leave $5.1 million in available federal funds unspent in 2023-24.

Request for Position Authority. According to CDSS, the resources requested in this proposal will enable the department to maximize its use of the AF each year through increased staffing to conduct program integrity activities across the branch. This proposal has no General Fund impact, as all funds within this proposal are federal.

Prior to July 2021, the CACFP was administered by the CDE in the Nutrition Services Division (NSD). The CDSS has identified that either no staff or insufficient staff resources were transferred for the following critical areas:

- Financial Management, including forecasting spending authority, creating annual budgets, and monitoring State spending and participant reimbursement.

- Civil Rights and Complaint Coordination to ensure all incoming complaints are addressed according to federal requirements and all Civil Rights requirements, such as annual state staff training, are complete.

- Technology Support, such as subject matter expertise and support for the current CACFP database solution.

As a result, existing staff are not able to dedicate the time needed to these critical monitoring and support activities, and CDSS has determined it does not have sufficient staffing for federally required administrative reviews (ARs).

Currently, the CDSS caseload is approximately 20 ARs per reviewer and 153 ARs per review closure analyst. As a result, the CDSS did not meet its federal mandate for conducting ARs, and is currently not on track to complete the required number of reviews in 2022-23 nor 2023-24. In 2021-22, CDSS was able to conduct 418 of 463 required reviews. In 2022-23, CDSS is scheduled to complete only 270 of 446 required reviews. As a result of the staffing shortfall, CDSS is requesting a waiver from the USDA that will allow CDSS to complete fewer than the required number of reviews each through 2027-28 and return to full compliance with the federal administrative review requirements in 2028-29. This proposal's request for positions is a primary component of CDSS' plan for successfully fulfilling the terms of the waiver request and returning to compliance in 2028-29.

The requested staff are as follows:

- The SSM III and SSM II - lead the Community Nutrition Programs Bureau and Community Nutrition Support Section, respectively.

- AGPAs in the Community Nutrition Support Unit - achieve acceptable caseload distribution for application reviews, technical assistance, and training.

- AGPAs in the Nutrition Education, Training, and Support Section - support program operators and state review staff with the development of targeted learning pathways and training materials to address program operators' review findings.

- AGPAs in the Data Integrity Unit - support data analysis of administrative review activities to identify program gaps and trends.

- One Attorney V - support the CACFPB's increased workload and corresponding legal reviews and advice created by the increased staffing. The Attorney V will provide legal consultation services to CDSS and to the CACFPB on issues related to funding compliance and audits.

- Two Information Technology Specialists - manage software and hardware for the program and provide ongoing project management support.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests CDSS respond to the following:

1. Please provide an overview of this proposal.

Issue 12: Stakeholder Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to Child Care and Child Welfare.

Presentation Item:

- **Food with Care.** Nourish California and the Child and Adult Care Food Program (CACFP) Roundtable propose $1.5 million ongoing to eliminate the child care meal reimbursement gap that exists for family child care providers. According to Nourish California, "Child care is the largest setting to support access to nutritious foods during the critical early years of development. However, existing law in California only reimburses Family Child Care providers for 75 percent of the meals served to the children in their care, and those providers are forced to make up the difference. The state meal reimbursement rate gap is the result of a racist legacy of child care laws—still in place today—that undervalue and underpay labor historically performed by Black, Latina, and immigrant women."

Non-Presentation Item:

- **California Success, Opportunity, and Academic Resilience (SOAR) Guaranteed Income Program.** A coalition of organizations including the Economic Security Project, End Poverty in California, Mayors for a Guaranteed Income, Young Invincibles, and GenUp, propose $67 million one-time for a program to provide 12th grade high school students experiencing homelessness with monthly unconditional cash payments in the summer months subsequent to high school graduation. According to this coalition, "unrestricted direct cash payments allow people to address their own particular needs. For a graduating senior heading to college or work, that could mean moving expenses, tuition, an apartment security deposit, books, a laptop computer, work attire, or food. Instead of dictating how, where, and on what terms youth can build their lives, cash offers the dignity and self-determination that recognizes a one-size-fits-all approach is antiquated and rooted in distrust. Instead, research from guaranteed income pilots and data from the Child Tax Credit show that when given unrestricted payments, people spend on their needs, creating economic stability for themselves. The CalSOAR Guaranteed Income Program would equip youth experiencing homelessness with the financial resources to enter adulthood with stability, and enables them to pursue their goals."

Issue 13: Public Comment

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, May 2nd, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Scott Ogus

PUBLIC COMMENT

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4260 DEPARTMENT OF HEALTH CARE SERVICES
4265 DEPARTMENT OF PUBLIC HEALTH
4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: Fiscal and Programmatic Implications of the Behavioral Health Services Act

Legislative Oversight – Fiscal and Programmatic Implications of the Behavioral Health Services Act. SB 326 (Eggman), Chapter 790, Statutes of 2023, and Proposition 1, approved by the voters in March 2024, authorized significant reforms to the state's behavioral health programs over the next few years. Known as the Behavioral Health Services Act (BHSA), these reforms will have substantial impacts on the fiscal structure and programmatic operations of behavioral health programs administered by the county behavioral health departments, the Department of Health Care Services (DHCS), the California Department of Public Health (CDPH), the Department of Health Care Access and Information (HCAI), and the Mental Health Services Oversight and Accountability Commission (MHSOAC).

Background – The Mental Health Services Act (Proposition 63; 2004). In 2004, voters approved Proposition 63, the Mental Health Services Act (MHSA), to change the way California treats mental illness by expanding the availability of innovative and preventative programs, reduce stigma and long-term adverse impacts for those suffering from untreated mental illness, and hold funded programs accountable for achieving those outcomes. The act directed the majority of revenues to county mental health programs and services in the following five categories:

1. *Community Services and Supports (CSS):* 76 percent of county MHSA funding treats severely mentally ill Californians through a variety of programs and services, including full service partnerships and outreach and engagement activities aimed at reaching unserved populations. 51 percent of CSS funds, or approximately 37 percent of total MHSA funding, is required to be spent on full service partnerships.

2. *Prevention and Early Intervention (PEI):* Up to 19 percent of county MHSA funds may be used for PEI programs, which are designed to identify early mental illness, improve timely access to services for underserved populations, and reduce negative outcomes from untreated mental illness, such as suicide, incarceration, school failure or dropping out, unemployment, homelessness and removal of children from homes.

3. *Innovation:* Up to 5 percent of MHSA funds received for CSS and PEI may be used for innovative programs that develop, test and implement promising practices that have not yet demonstrated their effectiveness.

MHSA also required counties to spend a portion of their revenues on two additional components to build the infrastructure to support mental health programs. Counties have the option of using a portion of their CSS funding in these areas or to build up a prudent reserve:

4. *Workforce Education and Training:* This component aims to train more people to remedy the shortage of qualified individuals who provide services to address severe mental illness. Counties may use funds

to promote employment of mental health clients and their family members in the mental health system and increase the cultural competency of staff and workforce development programs.

5. *Capital Facilities and Technological Needs:* This component finances necessary capital and infrastructure to support implementation of other MHSA programs. It includes funding to improve or replace technology systems and other capital projects.

MHSA funds are allocated to counties by the State Controller through a formula that weighs each county's need for mental health services, the size of its population most likely to apply for services, and the prevalence of mental illness in the county. Adjustments are made for the cost of living and other available funding resources. The formula also provides a minimum allocation to rural counties for the CSS and PEI components.

State Administration Funds. MHSA authorizes the use of up to five percent of annual revenues for state administration and specifies that these funds are to be used by state agencies to "implement all duties pursuant to the [MHSA] programs." This includes ensuring adequate research and evaluation regarding the effectiveness and outcomes of MHSA services and programs. State Administration funds have been used for a variety of state-directed purposes, including behavioral health workforce programs, the Mental Health Student Services Act, triage programs,

Local Mental Health Boards and County Three-Year Plans. The Bronzan-McCorquodale Act requires each community mental health service to have a mental health board consisting of 10 to 15 members to serve in an advisory role to the county board of supervisors. The mental health board is required to review and evaluate the local public mental health system and advise the county board of supervisors on the delivery of mental health services in the county.

MHSA requires each county mental health program to prepare and submit to DHCS and MHSOAC a three-year program and expenditure plan, with annual updates, adopted by the county's board of supervisors. The plan must include: 1) a program for prevention and early intervention; 2) a program for services to children; 3) a program for services to adults and seniors; 4) a program for innovations; 5) a program for technological needs and capital facilities; 6) identification of shortages in personnel to provide services and additional assistance needed from education and training programs; 7) establishment and maintenance of a prudent reserve to ensure stability of program funding; 8) certification by the county behavioral health director and county auditor-controller that the county has complied with MHSA requirements and other fiscal accountability requirements. MHSA also requires each three-year program and expenditure plan and update to be developed with local stakeholders, including adults and seniors with severe mental illness; families of children, adults, and seniors with severe mental illness; youths or youth mental health organizations; providers of services; law enforcement agencies; education; social services agencies; veterans; representatives from veterans organizations; providers of alcohol and drug services; health care organizations; and other important interests. The stakeholders must also include individuals representing youth from historically marginalized communities, representatives from organizations specializing in working with underserved racially and ethnically diverse communities, and representatives from LGBTQ+ communities.

Draft three-year plans must be prepared and circulated for review for at least 30 days to stakeholders. In addition, the local mental health board must conduct a public hearing on the plan after the 30 day stakeholder comment period to make recommendations to the local mental health agency on any revisions.

The Behavioral Health Services Act – Reforming the MHSA. SB 326 (Eggman), Chapter 790, Statutes of 2023, and AB 531 (Irwin), Chapter 789, Statutes of 2023, made significant changes to the MHSA, with many provisions appearing on the ballot as Proposition 1, approved by voters in March 2024. These changes recast the Mental Health Services Act as the Behavioral Health Services Act (BHSA), revising categories of expenditures for county behavioral health systems with a focus on housing interventions, expanding access to substance use disorder services, increasing transparency in county behavioral health planning, increasing evaluation and reporting on outcomes in the behavioral health system, and realigning oversight responsibilities between state departments and entities. In addition, Proposition 1 authorized $6.4 billion in bonds to construct, acquire, and rehabilitate more than 10,000 new treatment beds and supportive housing units, as well as sites to help serve more than 100,000 people annually.

BHSA – Impacts on County Behavioral Health Departments. As the vast majority of California's behavioral health system is realigned to counties, the most significant changes implemented by BHSA are to the operation and funding of county behavioral health departments. Currently, county behavioral health systems support their programs through a combination of funding streams, including 1991 and 2011 state-local realignment funds, state General Fund, federal Medicaid matching funds, federal grant funds for mental health and substance use disorders, and MHSA revenue.

BHSA Revises Previous MHSA Funding Allocations for Counties. The existing county allocations of MHSA revenue allow counties to spend 76 percent on community services and supports, 19 percent on prevention and early intervention, and 5 percent on innovative programs, with special allocations within those categories for capital needs, workforce development, and maintenance of a prudent reserve. Beginning July, 2026, BHSA revises these allocations as follows:

1) 30 percent of funds are required to be allocated for housing interventions. 50 percent of these funds are required to be used for housing interventions for individuals who are chronically homeless with a focus on encampments, with 25 percent to be used for capital development projects.

2) 35 percent of funds are required to be used for full-service partnerships, which provide the full spectrum of community services including mental health services (e.g. treatment, peer support, supportive services, etc.), non-mental health services (e.g. food, clothing, housing, health care treatment, etc.), and wrap around services for children. BHSA provides that FSP expenditures for housing would be covered by the housing intervention funding category, rather than the FSP category.

3) 35 percent of funds are required to be used for behavioral health services and supports (BHSS) for children and youth and adults or older adults, early intervention, outreach and engagement, workforce education and training, capital facilities and technological needs, and innovative programs.

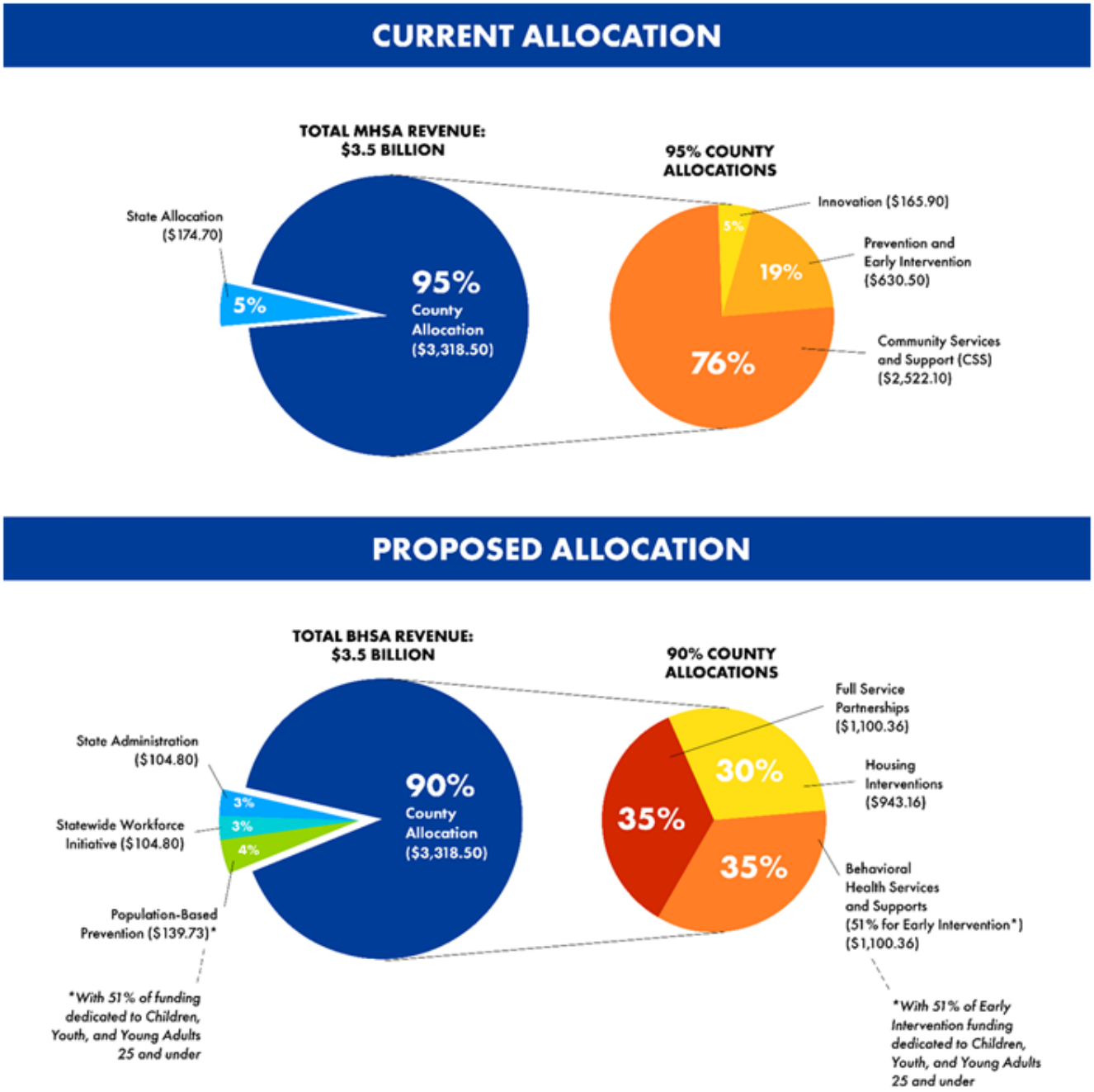
Counties may also set aside funding for prudent reserves to ensure programs are able to continue operating despite fluctuations in BHSA revenue allocations. Previously, counties were authorized to set aside prudent reserves of up to 30 percent of the average CSS allocations received in the preceding five years.

BHSA, when fully implemented will allow counties to set aside 25 percent of the allocation to its local behavioral health services fund.

Comparison of Existing MHSA Allocations and BHSA Allocations (effective July 1, 2026)

Source: *California Health and Human Services Agency. BHSA Fact Sheet. September 2023.*

(Dollars in Millions)



BHSA provisions allow counties, with the approval of DHCS, to transfer up to 14 percent of the total funds between the housing intervention, FSP, or BHSS allocations, as long as no single allocation is decreased by more than 7 percent. In addition, BHSA allows small counties (less than 200,000 population) to apply for an exemption from the housing intervention requirement beginning in 2026, with other counties allowed to seek an exemption beginning in 2032. BHSA allows all counties to seek an exemption from the FSP requirement beginning in 2032.

Transitions County Three-Year Plans to Integrated Plan for Behavioral Health Services and Outcomes. Pursuant to the Bronzon-McCorquodale Act, counties currently convene a mental health board consisting of 10 to 15 members to serve in an advisory role to the county board of supervisors, review and evaluate the local public mental health system, and advise the county board of supervisors on the delivery of mental health services in the county. MHSA also requires each county mental health program to prepare and submit to DHCS and MHSOAC a three-year program and expenditure plan, with annual updates, adopted by the county's board of supervisors, and in consultation with local stakeholders. The plan must include: 1) a program for prevention and early intervention; 2) a program for services to children; 3) a program for services to adults and seniors; 4) a program for innovations; 5) a program for technological needs and capital facilities; 6) identification of shortages in personnel to provide services and additional assistance needed from education and training programs; 7) establishment and maintenance of a prudent reserve to ensure stability of program funding; 8) certification by the county behavioral health director and county auditor-controller that the county has complied with MHSA requirements and other fiscal accountability requirements.

BHSA revises the requirements for three-year plans to instead require an Integrated Plan for Behavioral Health Services and Outcomes (Integrated Plan). The Integrated Plan is required to include the following sections:

1) Community mental health services provided
2) Programs and services funded from BHSA revenue
3) Programs and services funded by the Projects for Assistance in Transition from Homelessness (PATH) provided by DHCS
4) Programs and services funded by the federal Community Mental Health Services Block Grant
5) Programs and services funded by the federal Substance Abuse Block Grant
6) Programs and services provided by Medi-Cal managed care plans for mild and moderate conditions
7) Programs and services provided under Drug Medi-Cal or a Drug Medi-Cal Organized Delivery System (DMC-ODS)
8) Programs and services funded by distributions from the Opioid Settlements Fund
9) Services provided through other federal grants or other mental health and substance use disorder programs

The Integrated Plan must also include a budget that includes county planned expenditures and reserves for BHSA distributions, as well as any other funds; a description of how county planned expenditures align with statewide and local behavioral health goals and outcome measures (e.g. reducing homelessness or justice involvement); a description of efforts to reduce identified disparities in behavioral health outcomes; a description of data sources considered to identify disparities and unmet needs for certain populations; and a description of the county's workforce strategy. The Integrated Plan must also be

developed with an expanded list of local stakeholders, similar to the previous three-year plan, but with an additional focus on those experienced with substance use disorder treatment services.

In addition to planning around county behavioral health services, BHSA requires a county to participate in the development of its local health jurisdiction's community health improvement plan, required under the Future of Public Health infrastructure investment adopted in the 2022 Budget Act. BHSA also requires a county to work with each Medi-Cal managed care plan operating in the county to develop the plans' population needs assessment developed under the California Advancing and Innovating Medi-Cal (CalAIM) initiative.

County Behavioral Health Outcomes, Accountability, and Transparency Report. BHSA requires counties and Medi-Cal behavioral health delivery systems, including DMC-ODS, to annually submit to DHCS a County Behavioral Health Outcomes, Accountability, and Transparency (BHOAT) Report. The report must include:

1) The county's annual allocation of state and federal behavioral health funds, by category
2) The county's annual expenditure of state and federal behavioral health funds, by category
3) The amounts of annual and cumulative unspent state and federal behavioral health funds, including funds in a reserve account, by category
4) The county's annual expenditure of county general funds and other funds, by category, on mental health or substance use disorder treatment services.
5) The sources and amounts spent annually as the nonfederal share for Medi-Cal specialty mental health services and Medi-Cal substance use disorder treatment services, by category.
6) All administrative costs, by category
7) All contracted services, and the cost of those contracted services, by category
8) Information on behavioral health services provided to persons not covered by Medi-Cal, including those who are uninsured, covered by Medicare, or covered by commercial insurance, by category
9) Other data and information including spending on children and youth, service utilization data, performance outcome measures, data regarding populations with identified disparities in behavioral health outcomes, data to identify racial, ethnic, age, gender, and other demographic disparities and inform disparity reduction efforts, and information on eligible adults and older adults who are incarcerated, experiencing homelessness, and the number of eligible children and youth who access evidence-based early psychosis and mood disorder detection and intervention programs.
10) Data and information on workforce measures and metrics.

Annually, the County BHOAT Report must be approved by the county's board of supervisors and posted on the DHCS website.

Changes to State Administration Allocations. Prior to allocation of funding to county CSS, PEI, and innovation programs, MHSA authorizes 5 percent of total revenue to be allocated for state administrative purposes. State Administration allocations may be used to support the Mental Health Services Oversight and Accountability Commission's operations and programs, as well as other critical statewide priorities, as allocated by the Legislature in the annual Budget Act. MHSA State Administration funding has been used to support behavioral health workforce programs, the Mental Health Student Services Act, Mental Health Wellness programs, and the California Reducing Disparities Project.

Effective July 1, 2026, BHSA revises the allocation for state administration purposes as follows:

1) Increases the total allocation for state administration purposes from five percent to ten percent.
2) The ten percent allocation for state administration is further subdivided into the following allocations:

    a. State Directed Purposes – Three percent is allocated for state directed purposes consistent with the BHSA, for CalHHS, DHCS, the California Behavioral Health Planning Council, HCAI, BHSOAC, CDPH and any other state agency. According to the Administration, this allocation is likely to be approximately $105 million annually.

    b. HCAI Behavioral Health Workforce Initiative – Three percent is allocated to HCAI to develop and implement a behavioral health workforce initiative. The initiative must be developed in consultation with stakeholders and focus on efforts to build and support the workforce to meet the need to provide holistic and quality services; and support the development and implementation of strategies for training, supporting, and retaining the county behavioral health workforce and non-county contracted behavioral health workforce, including efforts to increase racial, ethnic, and linguistic diversity of behavioral health providers and increase access in geographically underserved areas. A portion of the initiative may focus on providing technical assistance to county and contracted providers to support the stabilization and retention of the behavioral health workforce, as well as maximizing the use of peer support specialists. According to the Administration, this allocation is likely to be approximately $105 million annually.

    c. CDPH Population-Based Mental Health and Substance Use Disorder Prevention – Four percent is allocated to CDPH to provide population-based mental health and substance use disorder prevention programs, with at least 51 percent of these funds for serving populations who are 25 years of age or younger. These population based prevention programs are intended to reduce the prevalence of mental health and substance use disorders and resulting conditions, and must incorporate evidence-based promising or community-defined evidence practices to: 1) reduce the risk of individuals developing a mental health or substance use disorder; 2) target populations at elevated risk for a mental health, substance misuse, or substance use disorder; 3) reduce stigma associated with seeking help for mental health challenges and substance use disorders; 4) target populations disproportionately impacted by systemic racism and discrimination; and 4) prevent suicide, self-harm, or overdose. The prevention programs must also be provided in school or off campus settings, and may include school-based health centers, student wellness centers, student well-being centers, group coaching and consultation, stigma reduction, mental health first aid programs to identify and prevent suicide or overdose. According to the Administration, this allocation is likely to be approximately $140 million annually.

MHSOAC to Become BHSOAC – Changes to Commission Structure, Funding, and Responsibilities. Effective January 1, 2025, BHSA recasts the Mental Health Services Oversight and Accountability Commission (MHSOAC) as the Behavioral Health Services Oversight and Accountability Commission (BHSOAC) and revises the structure and responsibilities of the commission as follows:

1) Expands the membership of the new BHSOAC from 16 members to 27 members. The members of the BHSOAC will include:

a. The Attorney General (or designee)
b. The Superintendent of Public Instruction (or designee)
c. A Senator selected by the President Pro Tempore of the Senate (or designee)
d. An Assemblymember selected by the Speaker of the Assembly (or designee)
e. The following 23 members appointed by the Governor:
    i. Two persons who have or have had a mental health disorder
    ii. Two persons who have or have had a substance use disorder*
    iii. A family member of an adult or older adult who has or has had a mental health disorder
    iv. One person who is 25 years of age or younger and has or has had a mental health disorder, substance use disorder, or co-occurring disorder*
    v. A family member of an adult or older adult who has or has had a substance use disorder*
    vi. A family member of a child or youth who has or has had a mental health disorder
    vii. A family member of a child or youth who has or has had a substance use disorder*
    viii. A current or former county behavioral health director*
    ix. A physician specializing in substance use disorder treatment
    x. A mental health professional
    xi. A professional with expertise in housing and homelessness*
    xii. A county sheriff
    xiii. A superintendent of a school district
    xiv. A representative of a labor organization
    xv. A representative of an employer with less than 500 employees
    xvi. A representative of an employer with more than 500 employees
    xvii. A representative of a health care service plan or insurer
    xviii. A representative of an aging or disability organization*
    xix. A person with knowledge and experience in community-defined evidence practices and reducing behavioral health disparities*
    xx. A representative of a children and youth organization*
    xxi. A veteran or a representative of a veterans organization*

** New positions under BHSA*

2) Transfers responsibility over prevention and early intervention to DHCS, to establish priorities for the use of early intervention program funds.

3) Eliminates responsibility for approving county innovation plans, as this category of county funding is eliminated in BHSA.

4) Requires collaboration with DHCS on establishing early intervention program priorities, establishing a biennial list of evidence-based practices and community-defined evidence practices, establishing FSP standards of care and criteria for step-down, and metrics to measure and evaluate programs and services.

5) Requires collaboration with CDPH to develop population-based prevention programs and develop best practices to overcome stigma and discrimination.

6) Requires BHSOAC to submit a report by January 1, 2030, and every three years thereafter, with recommendations for improving and standardizing promising practices across the state.

7) Authorizes BHSOAC to administer the BHSA Innovation Partnership Fund, to award grants to private, public, and nonprofit partners to promote development of innovative mental health and substance use disorder programs and practices, as well as improving BHSA programs and practices for underserved populations, low-income populations, communities impacted by other behavioral health disparities, and other populations determined by the commission. The fund will receive $20 million annually between 2026-27 and 2030-31, with subsequent allocations provided by the Legislature in the annual Budget Act.

8) Requires BHSOAC to submit a report by January 1, 2030, and every three years thereafter, on the key accomplishments of the Innovation Partnership Fund.

DHCS Retains and Expands Role of Oversight and Guidance for BHSA Programs. Under MHSA, DHCS was the primary oversight authority for county expenditures of MHSA funding, the county three-year planning process, reversion of unspent county MHSA funds, and general county compliance with the provisions of the MHSA. Under BHSA, DHCS retains this role and expands its responsibilities to cover oversight and guidance for the early intervention program. In its primary oversight and guidance role, DHCS is also responsible for making determinations regarding how counties will comply with the new categorical funding requirements of the BHSA and fulfill their expanded responsibilities under the new three-year Integrated Plan process. DHCS is also the recipient of new reporting requirements from counties, including the annual County BHOAT Report.

Panel Discussion. The subcommittee has requested the following panelists to discuss the fiscal and programmatic implications of the Behavioral Health Services Act:

- **Department of Health Care Services (DHCS)**
- **California Department of Public Health (CDPH)**
- **Mental Health Services Oversight and Accountability Commission (MHSOAC)**
- **County Behavioral Health Directors Association of California (CBHDA)**

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested DHCS, CDPH, MHSOAC, and CBHDA to respond to the following:

DHCS:

1. Please provide an overview of the fiscal and programmatic changes implemented by the Behavioral Health Services Act (BHSA), as reflected in SB 326 (Eggman) and voter approval of Proposition 1, including the following:

    a. Changes to the distributions of BHSA funding categories, relative to current MHSA distributions, beginning July 1, 2026.

b. Changes to DHCS oversight of three-year county planning, including expected timelines for DHCS to establish guidance for counties regarding compliance with new requirements for development and submission of the new integrated plan and annual updates.
c. Changes to DHCS oversight of reversion and redistribution of unspent BHSA funds, including any expected changes to the methodology for calculating funds subject to reversion or the methodology for redistribution of funds to counties.
d. New DHCS responsibilities for specifying required elements of the County Behavioral Health Outcomes, Accountability, and Transparency Report, including expected timelines for DHCS to establish guidance to counties for data and submission requirements for the report, as well as DHCS responsibilities to establish metrics to measure and evaluate the quality and efficacy of behavioral health services and programs.

2. Please provide an overview of how DHCS will oversee county compliance with the new housing intervention program requirements implemented by the BHSA (WIC Section 5830), effective July 1, 2026. Please include a discussion of the following:

   a. Expected timelines for DHCS to establish guidelines for compliance with these new requirements.
   b. How DHCS will make determinations regarding which housing interventions are eligible uses for the housing intervention category of BHSA funding.
   c. How DHCS will determine what constitutes a "reasonable timeframe" for units to be available and how DHCS will determine the cost-per-unit threshold for housing interventions.
   d. What coordination, if any, DHCS will require counties to engage in between their housing intervention programs and the housing interventions and community supports offered through the California Advancing and Innovating Medi-Cal (CalAIM) and other initiatives (e.g. Behavioral Health Bridge Housing, BH Continuum Infrastructure Program, transitional rent, housing transition/navigation, housing deposits, tenancy/sustaining services, etc..)

3. Please provide an overview of how DHCS will oversee county compliance with the 35 percent allocation requirement for full-service partnerships (FSPs), including the following:

   a. Changes to the required services offered as part of FSP service delivery compared to existing MHSA requirements.
   b. How DHCS currently calculates county compliance with the existing MHSA FSP requirement and any changes to that calculation expected when the new BHSA requirements are implemented July 1, 2026. Please include a description of how federal Medicaid matching funds are treated in this calculation.
   c. What level of expenditures counties are currently utilizing for housing interventions related to FSPs that would qualify as eligible uses of housing intervention funding under the new BHSA allocations.
   d. How DHCS will disentangle FSP expenditures that are eligible uses of housing intervention funding and those that are only eligible uses of FSP funding under the new BHSA allocations, including expected timelines of guidance to counties on how these determinations will be made by DHCS.

4. Please provide an overview of services that are eligible uses of BHSA funding under the definition of "substance use disorder treatment services" included in the Act, including the following:

a. How BHSA funding for substance use disorder treatment services interacts with county administration of Drug Medi-Cal or Drug Medi-Cal Organized Delivery System programs.
b. What services, if any, are eligible uses of BHSA funding that are not Medi-Cal covered benefits.

5. Please provide an overview of how DHCS will establish priorities for the use of early intervention funds, beginning July 1, 2026, including expected timeline for guidance to counties regarding eligible uses of this funding.

6. Please provide an overview of changes to counties' ability to manage a prudent reserve of BHSA funding, including changes, if any, to county requirements that must be met before accessing prudent reserve balances.

7. Please provide an overview of DHCS planning for expenditure of resources from voter-approved bonds for the Behavioral Health Continuum Infrastructure Program, including an expected timeline of grant rounds and eligible uses of bond funding.

CDPH:

1. Please provide a brief overview of CDPH's responsibilities to implement population-based mental health and substance use disorder prevention programs, beginning July 1, 2026.

2. How will CDPH engage with the Legislature, stakeholders, and other partners to determine the programs that will be funded with this allocation of BHSA funds?

3. What types of interventions qualify as population-based prevention in the context of mental health and substance-use disorders?

4. How will CDPH use this funding to ensure programs that are implemented address the diversity of the state's residents' and communities' experience with, and viewpoints regarding, prevention and treatment of behavioral health conditions?

5. How will this program integrate with, and benefit from the experience of, the California Reducing Disparities Project?

MHSOAC:

1. Please provide a brief overview of the changes to the Commission structure and responsibilities implemented by BHSA, including the following:

    a. Changes to the Commission membership, including number of commissioners and required appointees

b. Changes to oversight of county expenditures on prevention and early intervention and innovation programs, including how the Commission plans to help counties transition these expenditures from existing programs to programs allowable under BHSA.
c. Changes to the Commission's role conducting oversight, analysis, and evaluation of the state's behavioral health system, including access to behavioral health system data and other necessary information.

2. Please provide a brief overview of the process the Commission envisions for implementation of the BHSA Innovation Partnership Fund grant program, including the types of programs that might be funded with the relatively small allocation of BHSA resources dedicated for this purpose, as well as how these programs would be similar or dissimilar to programs counties are implementing now utilizing MHSA innovation funding.

3. How will the Commission utilize its recent experience overseeing Prevention and Early Intervention programs to help inform the priorities for use of early intervention program funding as implemented by BHSA?

CBHDA:

1. Please provide an overview of the fiscal and programmatic changes to county behavioral health systems implemented by the Behavioral Health Services Act (BHSA), as reflected in SB 326 (Eggman) and voter approval of Proposition 1, including the following:

   a. Changes to the distributions of BHSA funding categories, relative to current MHSA distributions, beginning July 1, 2026.
   b. How the changes to distributions of funding categories will impact current county behavioral health programs and services. Please include a comparison of existing expenditures for each current MHSA category to expected expenditures for the future implementation of BHSA categories.
   c. Changes to procedures for three-year county planning, including new responsibilities related to the integrated plan and annual updates.
   d. Changes to counties' ability to maintain prudent reserves, and any expected changes to counties' approach to managing revenue volatility.

2. Please provide an overview of how counties will likely approach the new housing intervention program requirements implemented by the BHSA (WIC Section 5830), effective July 1, 2026. Please include a discussion of the following:

   a. Current expenditures on housing interventions by counties within existing programs that may qualify as housing interventions in this category of BHSA expenditures.
   b. How counties will prioritize the types of housing interventions that will be funded.
   c. How counties will coordinate these housing interventions with other housing intervention programs, such as CalAIM, Behavioral Health Bridge Housing, and the Behavioral Health Continuum Infrastructure Program.

3. How do counties expect their responsibilities to administer full service partnerships to change, if at all, after implementation of the BHSA changes to funding categories?

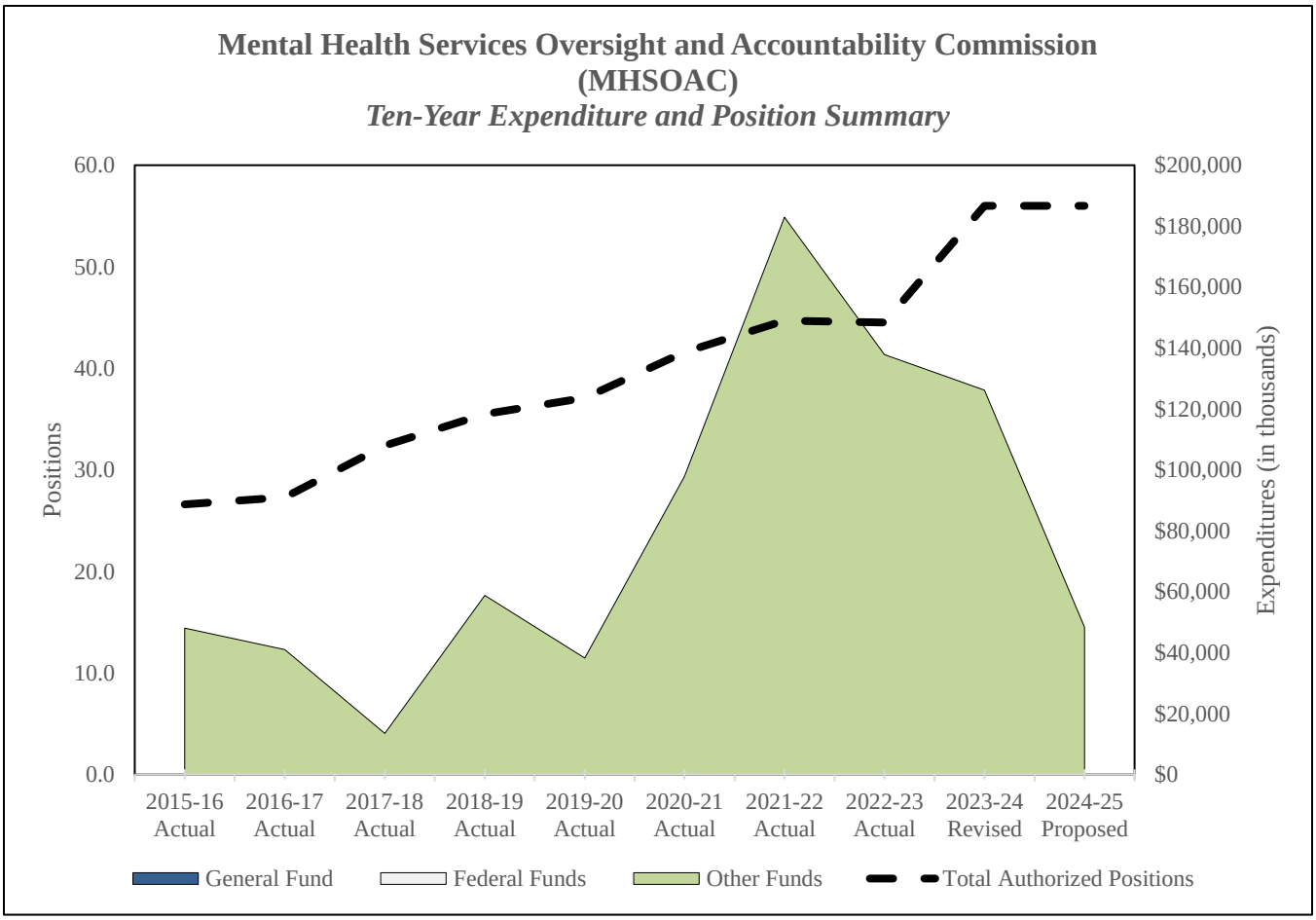
4. Please provide an overview of how counties would likely approach the expansion of eligible BHSA expenditures to substance use disorder services, including:

    a. How BHSA funding for substance use disorder treatment services would interact with existing county administration of Drug Medi-Cal or Drug Medi-Cal Organized Delivery System programs.
    b. Services that are not Drug Medi-Cal eligible that might be covered by the expansion of eligible uses for BHSA funding.

5. How will counties use funding provided by the BHSA, either through ongoing BHSA revenue, or one-time BHSA bond funds, to address workforce shortages in behavioral health professions?

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: Overview



Mental Health Services Oversight and Accountability Commission - *Department Funding Summary*
(dollars in thousands)

Fund Source	*2022-23 Actual*	*2023-24 Budget Act*	*2023-24 Revised*	*2024-25 Proposed*
General Fund	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0
Other Funds	$137,808	$63,169	$126,182	$48,304
Total Department Funding:	**$137,808**	**$63,169**	**$126,182**	**$48,304**
Total Authorized Positions:	**44.5**	**56.0**	**56.0**	**56.0**
Other Funds Detail:				
Reimbursements (0995)	*$0*	*$15,000*	*$15,000*	*$0*
Mental Health Services Fund (3085)	*$137,808*	*$48,169*	*$111,182*	*$48,304*

Mental Health Services Act (Proposition 63; 2004). Proposition 63, the Mental Health Services Act (MHSA), an initiative approved by voters in 2004, imposes a one percent income tax on personal income in excess of $1 million to expand mental health services to children, youth, adults, and older adults who have severe mental illnesses or severe mental health disorders and whose service needs are not being met through other funding sources (i.e., funds are to supplement and not supplant existing resources). The MHSA authorized the creation of the Mental Health Services Oversight and Accountability Commission to drive transformational change across the state's health system.

Mental Health Services Oversight and Accountability Commission. The Mental Health Services Oversight and Accountability Commission (MHSOAC) was established in 2005 and is composed of 16 voting members. These members include:

Elected Officials:

- Attorney General
- Superintendent of Public Instruction
- Senator selected by the President pro Tempore of the Senate
- Assemblymember selected by the Speaker of the Assembly

12 members appointed by the Governor:

- Two persons with a severe mental illness
- A family member of an adult or senior with a severe mental illness
- A family member of a child who has or has had a severe mental illness
- A physician specializing in alcohol and drug treatment
- A mental health professional
- A county sheriff
- A superintendent of a school district
- A representative of a labor organization
- A representative of an employer with less than 500 employees
- A representative of an employer with more than 500 employees
- A representative of a health care services plan or insurer

In making appointments, the Governor shall seek individuals who have had personal or family experience with mental illness.

MHSOAC's responsibilities are as follows:

- **Review of MHSA Programs -** The MHSOAC oversees the MHSA funded programs and services through the counties' annual updates. Counties submit updates every year to reflect the status of programs and services in their counties.

- **Evaluations -** The MHSOAC has a statutory mandate to evaluate how MHSA funding has been used, what outcomes have resulted, and how to improve services and programs.

- **Research -** The MHSOAC supports collaborative research efforts to develop and implement improved tools and methods for program improvement and evaluation statewide.

- **Triage -** County triage personnel provide linkages and services to what may be the first mental health contact for someone in crisis. Crisis services are provided at shelters, jails, clinics and hospital emergency rooms to help link a person to appropriate services.

- **Stakeholder Contracts -** Statewide stakeholder advocacy contracts are focused on supporting the mental health needs of consumers, children and transition aged youth, veterans, racial and ethnic minority communities and their families through education, advocacy, and outreach efforts.

- **Commission Projects -** The MHSOAC selects special project topics and under the direction of a subcommittee of commissioners, conducts research through discussion, review of academic literature, and interviews with those closely affected by the topic to formulate recommendations for administrative or legislative changes.

- **Technical Assistance & Training -** The MHSOAC offers technical assistance and training to counties, providers, clients and family members, and other stakeholders to support the goals of the MHSA and specific responsibilities of the commission, such as review of counties' MHSA-funded Innovative Program plans.

Mental Health Student Services Act (MHSSA). The 2019 Budget Act included expenditure authority from the Mental Health Services Fund of $50 million in 2019-20 and $10 million annually thereafter for the Mental Health Student Services Act (MHSSA), a competitive grant program to establish mental health partnerships between county mental health or behavioral health departments and school districts, charter schools, and county offices of education. These partnerships support: (1) services provided on school campuses; (2) suicide prevention; (3) drop-out prevention; (4) outreach to high-risk youth and young adults, including, but not limited to, foster youth, youth who identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), and youth who have been expelled or suspended from school; (5) placement assistance and development of a service plan that can be sustained over time for students in need of ongoing services; and (6) other prevention, early intervention, and direct services, including, but not limited to, hiring qualified mental health personnel, professional development for school staff on trauma-informed and evidence-based mental health practices, and other strategies that respond to the mental health needs of children and youth.

Prior to the MHSSA, SB 82 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2013, known as the Investment in Mental Health Wellness Act, included expenditure authority from the Mental Health Services Fund of $32 million annually for MHSOAC to support counties to increase capacity for client assistance and services in crisis intervention, crisis stabilization, crisis residential treatment, rehabilitative mental health services, and mobile crisis support teams. In 2018-19 the expenditure authority was reduced to $20 million annually. According to MHSOAC, since 2017-18, 50 percent of the funding has been allocated to programs dedicated to children and youth aged 21 and under, and approximately $20 million was allocated for four School-County Collaboration Triage grants to: 1) provide school-based crisis intervention services for children experiencing or at risk of experiencing a mental health crisis and their families or caregivers; and 2) supporting the development of partnerships between behavioral health departments and educational entities. Humboldt County, Placer County, Tulare

County Office of Education, and a joint powers authority in San Bernardino County were awarded $5.3 million annually over four years in this program. MHSOAC also awarded grants for school-based triage programs in Berkeley, Humboldt, Riverside, Sacramento, and San Luis Obispo.

Building on the partnership model in the triage grant program, MHSSA supports partnerships between county behavioral health programs and educational entities. Combining the $50 million allocation in 2019-20 with the annual $10 million allocations for the subsequent three fiscal years, MHSOAC allocated a total of $75 million over four years for funding of the MHSSA Partnership Grant Program. The funding was made available in two categories: 1) $45 million for counties with existing school mental health partnerships, and 2) $30 million for counties developing new or emerging partnerships. Within each category, funding was made available based on the population size of a county with a total of six grants at $2.5 million each made available to small counties (less than or equal to 200,000 population), six grants at $4 million each made available to medium counties (between 200,000 and 750,000 population), and six grants at $6 million each made available to large counties (greater than 750,000 population).

According to MHSOAC, 38 counties submitted applications for funding. 20 counties with existing partnerships submitted applications and 10 received awards. 18 counties developing new or emerging partnerships submitted applications and eight received awards. However, 20 counties that submitted applications did not receive funding.

Children and Youth Behavioral Health Initiative – Expansion of MHSSA. The 2021 Budget Act included $205 million ($100 million CFRF and $105 million Mental Health Services Fund) in 2021-22 for MHSOAC for the Mental Health Student Services Act program, as part of the Administration's Children and Youth Behavioral Health Initiative. The 2021 Budget Act augmentation of the MHSSA was intended to rapidly provide funding to the 20 counties that applied, but did not receive partnership grant awards during the initial round of MHSSA funding. The potential impacts of the COVID-19 pandemic on the behavioral health needs of students made rapid deployment of resources to school campuses a high priority for the Legislature. According to MHSOAC, the initial 2019 Budget Act funding, as well as the 2021 Budget Act augmentation of MHSSA funding supported $207 million for 58 partnership grant awards.

MHSOAC to Become BHSOAC – Changes to Commission Structure, Funding, and Responsibilities. Effective January 1, 2025, the Behavioral Health Services Act, approved by voters in March 2024, recasts the Mental Health Services Oversight and Accountability Commission (MHSOAC) as the Behavioral Health Services Oversight and Accountability Commission (BHSOAC) and revises the structure and responsibilities of the commission as follows:

1) Expands the membership of the new BHSOAC from 16 members to 27 members. The members of the BHSOAC will include:

    a. The Attorney General (or designee)
    b. The Superintendent of Public Instruction (or designee)
    c. A Senator selected by the President Pro Tempore of the Senate (or designee)
    d. An Assemblymember selected by the Speaker of the Assembly (or designee)
    e. The following 23 members appointed by the Governor:
        i. Two persons who have or have had a mental health disorder

ii. Two persons who have or have had a substance use disorder*
iii. A family member of an adult or older adult who has or has had a mental health disorder
iv. One person who is 25 years of age or younger and has or has had a mental health disorder, substance use disorder, or co-occurring disorder*
v. A family member of an adult or older adult who has or has had a substance use disorder*
vi. A family member of a child or youth who has or has had a mental health disorder
vii. A family member of a child or youth who has or has had a substance use disorder*
viii. A current or former county behavioral health director*
ix. A physician specializing in substance use disorder treatment
x. A mental health professional
xi. A professional with expertise in housing and homelessness*
xii. A county sheriff
xiii. A superintendent of a school district
xiv. A representative of a labor organization
xv. A representative of an employer with less than 500 employees
xvi. A representative of an employer with more than 500 employees
xvii. A representative of a health care service plan or insurer
xviii. A representative of an aging or disability organization*
xix. A person with knowledge and experience in community-defined evidence practices and reducing behavioral health disparities*
xx. A representative of a children and youth organization*
xxi. A veteran or a representative of a veterans organization*

** New positions under BHSA*

2) Transfers responsibility over prevention and early intervention to DHCS, to establish priorities for the use of early intervention program funds.

3) Eliminates responsibility for approving county innovation plans, as this category of county funding is eliminated in BHSA.

4) Requires collaboration with DHCS on establishing early intervention program priorities, establishing a biennial list of evidence-based practices and community-defined evidence practices, establishing FSP standards of care and criteria for step-down, and metrics to measure and evaluate programs and services.

5) Requires collaboration with CDPH to develop population-based prevention programs and develop best practices to overcome stigma and discrimination.

6) Requires BHSOAC to submit a report by January 1, 2030, and every three years thereafter, with recommendations for improving and standardizing promising practices across the state.

7) Authorizes BHSOAC to administer the BHSA Innovation Partnership Fund, to award grants to private, public, and nonprofit partners to promote development of innovative mental health and substance use disorder programs and practices, as well as improving BHSA programs and practices for underserved

populations, low-income populations, communities impacted by other behavioral health disparities, and other populations determined by the commission. The fund will receive $20 million annually between 2026-27 and 2030-31, with subsequent allocations provided by the Legislature in the annual Budget Act.

8) Requires BHSOAC to submit a report by January 1, 2030, and every three years thereafter, on the key accomplishments of the Innovation Partnership Fund.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested MHSOAC to respond to the following:

1. Please provide a brief overview of the Commission's mission and programs.

Issue 2: Mental Health Wellness Program Reappropriation

Budget Bill Language – Governor's Budget. MHSOAC requests reappropriation of up to $1 million of expenditure authority from the Mental Health Services Fund, previously authorized in the 2021 Budget Act, until June 30, 2026, to support the Mental Health Wellness Program.

Program Funding Request Summary		
Fund Source	**2023-24**	**2024-25***
3085 – Mental Health Services Fund	$-	[$1,000,000]
Total Funding Request:	**$-**	**[$1,000,000]**
Total Requested Positions:	**0.0**	**0.0**

* Non-add, reappropriation of resources previously approved in the 2021 Budget Act.

Background. The Investment in Mental Health Wellness Act of 2013 authorized Mental Health Service Fund expenditure authority of $32 million annually to add 600 triage personnel in select rural, urban, and suburban regions. The 2016 Budget Act included an additional $3 million to provide a complete continuum of crisis intervention services and supports for children age 21 and under and their families and caregivers. Triage personnel provide intensive case management and linkage to services for individuals with mental health disorders at various points of access. Targeted case management services may be provided face to face, by telephone, or by telehealth with the individual in need of assistance or his or her significant support person, and may be provided anywhere in the community. These service activities may include, but are not limited to: 1) communication, coordination, and referral; 2) monitoring service delivery to ensure the individual accesses and receives services; 3) monitoring the individual's progress; 4) providing placement service assistance and service plan development. The 2018 Budget Act reduced the annual triage program allocation to $20 million annually. According to MHSOAC, the triage program, now referred to as the Mental Health Wellness Program, received additional program flexibility in SB 184 (Committee on Budget and Fiscal Review), Chapter 47, Statutes of 2022, due to delays related to the COVID-19 pandemic. MHSOAC requests reappropriation of up to $1 million, previously authorized in the 2021 Budget Act, due to program grantees unable to spend the granted funds. If approved, these reappropriated funds would be redistributed to one or more grantees that did not receive funding in previous grant rounds.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested MHSOAC to respond to the following:

1. Please provide a brief overview of this proposal.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

Issue 1: Office of Youth and Community Restoration – SYTF Data

Background: DJJ Closure and Realignment. The 2020-21 Budget Act included a plan to permanently close the Division of Juvenile Justice (DJJ) at the California Department of Corrections and Rehabilitation (CDCR). While most youth were already housed or supervised locally, prior to July 1, 2021, counties could choose to send youths who had committed violent, serious, or sex offenses to state facilities operated by DJJ. There were typically about 650 youth statewide in DJJ facilities. DJJ permanently closed on June 30, 2023, and the last youths were transferred to counties, completing the realignment of the juvenile justice system to the county level. The plans for DJJ closure and realignment are outlined in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020 and SB 92 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2021.

As a result of realignment, counties are responsible for caring for youth with more serious needs and who have committed more serious offenses. The realignment plan outlined a process for counties to establish Secure Youth Treatment Facilities (SYTFs) for high-level offenders who would have previously been housed at DJJ. To assist counties with their increased responsibility, the state provides block grant funding to counties for each realigned youth, and one-time funding for planning and juvenile facility infrastructure needs. As of September 2023, there were 2,878 youth housed in juvenile facilities statewide

OYCR. To support counties in this transition, the realignment plan included the creation of the OYCR to provide statewide assistance, coordination, and oversight. OYCR is under the Health and Human Services Agency (HHS) rather than under CDCR or the Board of State and Community Corrections (BSCC), reflecting the intended shift away from corrections and toward services and treatment. The mission of the Office, as defined in statute, is "[T]o promote trauma responsive, culturally informed services for youth involved in the juvenile justice system that support the youths' successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities."

Mandates of the OYCR include:

- Identify policy recommendations for improved outcomes for court-involved youth.
- Identify and disseminate best practices to inform rehabilitative and restorative youth practices.
- Provide technical assistance to develop and expand local youth diversion opportunities.
- Evaluate the efficacy of local programs being utilized for realigned youth and report to the Governor and Legislature by July 1, 2025.
- Develop a report on youth outcomes in the juvenile justice system based on the updated JCPSS (Department of Justice) System.
- Provide an ombudsperson to investigate complaints and resolve where possible and report regularly to the Legislature.

- Concur with the BSCC on any juvenile grants.

- Assume administration of juvenile grants no later than January 1, 2025.

- Concur with the BSCC on new standards for secure youth treatment facilities.

Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.

OYCR Funding. The 2021 Budget Act included $27.6 million in 2021-22 and $7 million ongoing for OYCR. The 2021-22 funding included $20 million for technical assistance, disseminating best practices, and grants. The 2022 Budget Act included an additional $10 million ongoing for the Office, and language detailing the duties and responsibilities of the Ombudsperson within OYCR. The 2023 Budget Act continued the $10 million appropriation for OYCR for technical assistance, disseminating best practices, and issuing grants to counties and probation departments for the purposes of transforming the juvenile justice system to improve outcomes for justice involved youth.

Juvenile Justice Data Collection. In addition to the $10 million budget for OYCR, the 2023 Budget Act included $3.54 million to facilitate the collection of specific juvenile justice data related to realignment. These 2023 Budget Act made these funds available to county probation departments to provide OYCR with the following data for the 2021-22 and 2022-23 fiscal years, disaggregated by gender, age, and race or ethnicity:

1. Number of youth and their commitment offense or offenses, if known, who are under the county's supervision that are committed to a secure youth treatment facility, including youth committed to secure youth treatment facilities in another county.

2. The number of individual youth in the county who were adjudicated for an offense under subdivision (b) of Section 707 of the Welfare and Institutions Code or Section 290.008 of the Penal Code.

3. Number of youth, including their commitment offense or offenses, if known, transferred from a secure youth treatment facility to a less restrictive placement.

4. Number of youth for whom a hearing to transfer jurisdiction to an adult criminal court was held, and number of youth whose jurisdiction was transferred to adult criminal court.

The 2023 Budget Act requires the data listed above to be submitted to OYCR by December 30, 2023 for the 2021-22 and 2022-23 fiscal years, and by December 30, 2024 for the 2023-24 fiscal year. A summary of the statewide data is below and was presented to the Subcommittee on February 29, 2024 – the final report, including county-level data, is anticipated from OYCR shortly.

OYCR

AB 102 Data Updates

	FY 2021-2022	FY 2022-2023
A. Number of youth committed to SYTF	237	427
B1. Number of youth adjudicated of a 707(b) offense	1,459	1,730
B2. Number of youth adjudicated of a PC 290.008 offense (not counted in B1)	98	74
C. Number of youth transferred from SYTF to LRP	*	100
D1. Number of youth for whom a fitness hearing was ordered	197	221
D2a. Number of youth transferred to adult criminal court	43	33
D2b. Number of youth NOT transferred to adult criminal court	80	94

Note: The data displayed reflect a statewide count.
Note: For FY 21-22, nine counties had no youth to report. (n=48)
For FY 22-23, eight counties had no youth to report. (n=49)
One county was excluded from analysis due to data accessibility challenges.
* Data not displayed for privacy – less than 11 youth

Subcommittee Staff Comment and Recommendation—Informational item. No action is needed.

Questions. The subcommittee requests OYCR respond to the following:

1. Please present an overview the county-specific juvenile justice data counties were required to submit to OYCR pursuant to the 2023 Budget Act.

2. What do these data tell us about how realignment is implementing across the state? In what areas does the data show progress in meeting the goals of realignment and in what areas does the data indicate cause for concern? Are there particular counties in which the data shows notable progress or problems?

3. How will this data inform OYCR's work moving forward, including the development of grants and policy recommendations?

4. What would be the effect of not having this data reported regularly from year to year? What could be improved or expanded for future data collection purposes in order for OYCR to carry out its mission?

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Community Behavioral Health Programs Overview

Funding for Community Mental Health Programs – *Multi-Year Funding Summary*			
Fund Source	**2022-23**	**2023-24**	**2024-25**
1991 Realignment (base and growth):			
Mental Health Subaccount	$500,130,000	$585,263,000	$603,375,000
2011 Realignment (base and growth):			
Mental Health Subaccount	$1,129,400,000	$1,128,100,000	$1,127,000,000
Behavioral Health Subaccount	$2,220,800,000	$2,299,500,000	$2,363,800,000
Realignment Total	**$3,850,330,000**	**$4,012,863,000**	**$4,094,175,000**
Medi-Cal SMHS Federal Funds	**$3,133,174,000**	**$3,089,329,000**	**$3,069,890,000**
Medi-Cal SMHS General Fund	**$368,862,000**	**$510,129,000**	**$321,513,000**
MHSA Local Expenditures	**$2,849,480,000**	**$2,259,662,000**	**$2,397,563,000**
Total Funds	**$10,201,846,000**	**$9,871,983,000**	**$9,883,141,000**

Community Mental Health - Overview. California's system of community mental health treatment was first established in 1957 after passage of the Short-Doyle Act. Prior to Short-Doyle, the state was primarily responsible for the care and treatment of Californians with mental illness or developmental disabilities in fourteen regional psychiatric hospitals throughout the state. Short-Doyle was enacted to allow individuals with mental illness to be treated in a community-based setting nearer to friends and family to support more successful treatment outcomes, and resulted in a significant shift of the locus of treatment out of the state's psychiatric hospitals and into the community. Covered Short-Doyle benefits included treatment and rehabilitation services in primarily outpatient settings, as well as community education and training for professionals and staff in public entities to address mental health problems early.

Mental Health Services in Medi-Cal. Medi-Cal, California's state Medicaid program, was established in 1966 and covered specific mental health-related benefits including psychiatric inpatient hospital services, nursing facility care, and professional services provided by psychiatrists and psychologists. In 1971, many of the benefits provided by local Short-Doyle community mental health programs were also included in the scope of benefits provided to Medi-Cal beneficiaries. During this period, beneficiaries could access mental health services through Short-Doyle Medi-Cal (SD/MC) or through direct fee-for-service Medi-Cal providers (FFS/MC).

State-Local Realignment Funding for Community Mental Health. In 1991, in response to a state General Fund deficit, many state programs and funding streams were realigned to local governments

including community mental health programs. The Bronzan-McCorquodale Act (1991 Realignment) provided that county mental health departments would be responsible for community mental health services for Medi-Cal beneficiaries, for payments to state hospitals for treatment of individuals civilly committed under the Lanterman-Petris-Short Act (LPS), and for Institutions for Mental Disease (IMDs) that provide short-term nursing level care to individuals with serious mental illness. Funding for these programs is provided by redirection of sales tax and vehicle license fee revenues to counties.

In 2011, additional mental health responsibilities were realigned to counties in a package primarily focused on major public safety programs (2011 Realignment). Additional sales tax and vehicle license fee revenue was allocated to counties to fund these programs, which included responsibility for Early Periodic Screening, Diagnosis, and Treatment (EPSDT) services for children in Medi-Cal. Funding for the 1991 Mental Health Subaccount, up to $1.12 billion, was redirected to fund maintenance of effort requirements for the California Work Opportunities and Responsibility for Kids (CalWORKs) program. This redirection of funding was replaced by $1.12 billion of 2011 Realignment revenue deposited in the 2011 Realignment Mental Health Subaccount for community mental health programs. Consequently, realignment funding for community mental health services is derived primarily from 2011 Realignment funding allocations.

Affordable Care Act Expansion of Mental Health Benefits. The federal Affordable Care Act expanded certain mental health benefits available to Medi-Cal beneficiaries. SB 1 X1 (Hernandez), Chapter 4, Statutes of 2013, First Extraordinary Session, implemented these new benefit requirements. These benefits are provided to individuals with mild to moderate levels of impairment by Medi-Cal managed care plans, rather than community mental health plans.

Medi-Cal Mental Health. There are three systems that currently provide mental health services to Medi-Cal beneficiaries:

1. **County Mental Health Plans (MHPs) -** California provides Medi-Cal specialty mental health services (SMHS) under a federal 1915(b) waiver that includes outpatient SMHS, such as clinic outpatient providers, psychiatrists, psychologists and some nursing services, as well as psychiatric inpatient hospital services. Children's SMHS is provided under the federal requirements of the EPSDT benefit for persons under age 21. County mental health plans are responsible for the provision of SMHS and Medi-Cal enrollees must obtain SMHS through the county. SMHS is a Medi-Cal entitlement for adults and children that meet medical necessity criteria, which consist of having a specific covered diagnosis, functional impairment, and meeting intervention criteria.

2. **Managed care plans –** SB 1 X1 expanded the scope of Medi-Cal mental health benefits, pursuant to the federal Affordable Care Act, and required these services to be provided by Medi-Cal managed care plans excluding those benefits provided by county mental health plans under the SMHS waiver. Generally these are mental health services for those with mild to moderate levels of impairment. The mental health services provided by managed care plans include:

    - Individual and group mental health evaluation and treatment (psychotherapy)
    - Psychological testing when clinically indicated and medically necessary to evaluate a mental health condition
    - Outpatient services for the purposes of monitoring drug therapy

- Outpatient laboratory, drugs, supplies and supplements
- Psychiatric consultation

3. **Fee-For-Service Provider System -** Effective January 1, 2014 the mental health services listed below are also available through the fee-for-service provider system:

   - Individual and group mental health evaluation and treatment (psychotherapy)
   - Psychological testing when clinically indicated and medically necessary to evaluate a mental health condition
   - Outpatient services for the purposes of monitoring drug therapy
   - Outpatient laboratory, drugs, supplies and supplements
   - Psychiatric consultation

Mental Health Services Act (Proposition 63, Statutes of 2004). The Mental Health Services Act (MHSA) imposes a one percent income tax on personal income in excess of $1 million. These tax receipts are reconciled and deposited into the MHSA Fund on a "cash basis" (cash transfers) to reflect funds actually received in the fiscal year. The MHSA provides for a continuous appropriation of funds for local assistance.

The purpose of the MHSA is to expand mental health services to children, youth, adults, and older adults who have severe mental illnesses or severe mental health disorders and whose service needs are not being met through other funding sources (i.e., funds are to supplement and not supplant existing resources).

Most MHSA funding is to be expended by county mental health departments for mental health services consistent with local Three-Year Plans with Annual Updates approved by DHCS and the required five components, as required by MHSA. The following is a brief description of the five components:

1. **Community Services and Supports for Adult and Children's Systems of Care.** This component funds the existing adult and children's systems of care established by the Bronzan-McCorquodale Act (1991). County mental health departments establish, through a stakeholder process, a listing of programs for which these funds will be used. Of total annual revenues, 80 percent is allocated to this component.

2. **Prevention and Early Intervention.** This component supports the design of programs to prevent mental illnesses from becoming severe and disabling, with an emphasis on improving timely access to services for unserved and underserved populations. Of total annual revenues, 20 percent is allocated to this component.

3. **Innovation.** The goal of this component is to develop and implement promising practices designed to increase access to services by underserved groups, increase the quality of services, improve outcomes, and promote interagency collaboration. This is funded from five percent of the Community Services and Supports funds and five percent of the Prevention and Early Intervention funds.

4. **Workforce Education and Training.** This component targets workforce development programs to remedy the shortage of qualified individuals to provide services to address severe mental illness. In 2005-06, 2006-07, and 2007-08, 10 percent of total revenues were allocated to this component, for a

total of $460.8 million provided to counties and the Department of Health Care Access and Information (HCAI, formerly OSHPD).

5. **Capital Facilities and Technological Needs.** This component addresses the capital infrastructure needed to support implementation of the Community Services and Supports, and Prevention and Early Intervention programs. It includes funding to improve or replace existing technology systems and for capital projects to meet program infrastructure needs.

Counties are required to submit annual revenue and expenditure reports to DHCS and the Mental Health Services Oversight and Accountability Commission (MHSOAC). DHCS monitors county's use of MHSA funds to ensure the county meets the MHSA and Mental Health Services Fund requirements.

Drug Medi-Cal - Overview. The Drug Medi-Cal program covers substance use disorder services by certified providers under contract with the counties or with DHCS. Drug Medi-Cal services are offered by counties either through the State Plan or through the Drug Medi-Cal Organized Delivery System (DMC-ODS), an expanded service delivery model offered under an 1115 Waiver authorized by the federal Centers for Medicare and Medicaid Services (CMS). Drug Medi-Cal provides State Plan services under four primary modalities:

- Narcotic Treatment Program – The Narcotic Treatment Program (NTP) provides outpatient methadone maintenance services directed at stabilization and rehabilitation of persons with opioid dependency and substance use disorder diagnoses. The program includes daily medication dosing, a medical evaluation, treatment planning, and a minimum of fifty minutes per month of face-to-face counseling sessions.
- Outpatient Drug Free – Outpatient Drug Free (ODF) counseling treatment services are designed to stabilize and rehabilitate Medi-Cal beneficiaries with substance use disorder diagnosis in an outpatient setting. This includes services under Early and Periodic Screening, Diagnosis, and Treatment (EPSDT). Each ODF participant receives at least two group counseling sessions per month. Counseling and rehabilitation services include: 1) admission physical examinations, 2) intake, 3) medical necessity establishment, 4) medication services, 5) treatment and discharge planning, 6) crisis intervention, 7) collateral services, and 8) individual and group counseling.
- Intensive Outpatient Treatment – Intensive Outpatient Treatment (IOT) services are provided to beneficiaries with substance use disorder diagnoses. These outpatient counseling and rehabilitation services are provided at least three hours per day, three days per week. Services include: 1) admission physical examinations, 2) intake, 3) medication services, 4) treatment planning, 5) crisis intervention, 6) collateral services, 7) individual and group counseling, and 8) parenting education.
- Residential Treatment Services – Residential Treatment Services (RTS) provides rehabilitation services to perinatal beneficiaries with substance use disorder diagnosis in a non-institutional, non-medical, residential setting. Each beneficiary lives on the premises and is supported in an effort to restore, maintain, and apply interpersonal and independent living skills and access community support systems.

DMC-ODS counties, in addition to the four primary modalities, are required to offer the following services: 1) non-perinatal RTS, 2) withdrawal management (levels 1.0, 2.0, and 3.2), 3) recovery services, 4) case management, 5) physician consultation, and 6) expanded medication assisted treatment (buprenorphine, naloxone, and disulfiram). DMC-ODS counties may also offer: 1) additional medication

assisted treatment (through non-NTP providers), 2) partial hospitalization, and 3) withdrawal management (levels 3.7 and 4.0).

Behavioral Health Continuum Infrastructure Program. The 2021 Budget Act included expenditure authority of $755.7 million ($445.7 million General Fund and $310 million Coronavirus Fiscal Recovery Fund or CFRF) in 2021-22, $1.4 billion ($1.2 billion General Fund and $220 million CFRF) in 2022-23 and $2.1 million General Fund in 2023-24 for competitive grants to qualified entities to construct, acquire, and rehabilitate real estate assets to expand the community continuum of behavioral health treatment resources. Of this amount, $150 million was made available to support mobile crisis infrastructure, along with $55 million in federal grant funds from the Substance Abuse and Mental Health Services Administration (SAMHSA), for a total investment of $205 million. DHCS announced the BHCIP funding would be released in six rounds, as follows:

- Round 1: Mobile Crisis - $205 million
- Round 2: County and Tribal Planning Grants - $16 million
- Round 3: Launch Ready - $518.5 million
- Round 4: Children and Youth - $480.5 million
- Round 5: Behavioral Health Needs Assessment Phase One - $480 million
- Round 6: Behavioral Health Needs Assessment Phase Two - $480 million

The following facility types may be considered for project funding through BHCIP:

- Community wellness centers
- Hospital-based outpatient treatment (e.g. outpatient detox or withdrawal management)
- Intensive outpatient treatment
- Narcotic Treatment Programs (NTPs)
- NTP medication units
- Office-based outpatient treatment
- Sobering centers
- Acute inpatient hospitals – medical detox or withdrawal management
- Acute psychiatric inpatient facilities
- Adolescent residential treatment facilities for substance use disorders (SUD)
- Adult residential treatment facilities for SUD
- Chemical dependency recovery hospitals
- Children's crisis residential programs (CCRPs)
- Community treatment facilities (CTFs)
- Crisis stabilization units (CSUs)
- General acute care hospitals (GACHs) and acute care hospitals (ACHs)
- Mental health rehabilitation centers (MHRCs)
- Psychiatric health facilities (PHFs)
- Short-term residential therapeutic programs (STRTPs)
- Skilled nursing facilities with special treatment programs (SNFs/STPs)
- Social rehabilitation facilities (SRF)
- Peer respite

- Recovery residence/sober living homes

Funding may also be used for mobile crisis infrastructure.

Due to the General Fund shortfall, the Governor's January budget proposes to delay Round 6 of BHCIP funding from 2024-25 until 2025-26.

Qualifying Community-Based Mobile Crisis Services. Section 9813 of the federal American Rescue Plan Act of 2021 authorizes state Medicaid programs to provide qualifying community-based mobile crisis intervention services for a period of up to five years, beginning April 1, 2022, and ending March 31, 2027. States that implement the mobile crisis intervention benefit receive an 85 percent federal match for reimbursement of these services for the first three years of the five year period.

Mobile crisis intervention services are intended to provide rapid response, individual assessment, and crisis resolution by trained mental health and substance use treatment professionals and paraprofessionals in situations that involve individuals with behavioral health conditions. The federal Substance Abuse and Mental Health Services Administration (SAMHSA) describes three core components of a robust crisis system: 1) a 24 hour clinically staffed call center that can serve as a the hub of an integrated mental health crisis system, 2) mobile crisis response teams that can respond rather than law enforcement, and 3) crisis receiving and stabilization facilities that provide short-term services and can be accessed readily rather than relying on emergency departments or hospital environments.

The 2022 Budget Act authorized the addition of qualifying community-based mobile crisis intervention services, beginning January 1, 2023, for a five year period as a mandatory Medi-Cal benefit available to eligible Medi-Cal beneficiaries 24 hours a day, seven days a week. The benefit will implemented through the county behavioral health delivery systems by multidisciplinary mobile crisis teams in the community. The services cover both mental health and substance use disorder crises, using the specialty mental health benefit and adding crisis intervention as an outpatient service eligible under the Drug Medi-Cal benefit. According to DHCS, the benefit is provided outside a hospital or other facility setting and includes screening and assessment, stabilization and de-escalation, and coordination with and referrals to health, social, and other services and supports.

Behavioral Health Bridge Housing. The 2022 Budget Act included General Fund expenditure authority of $1 billion in 2022-23 and $500 million in 2023-24 to support bridge housing projects to address the immediate housing and treatment needs of people experiencing unsheltered homelessness with serious behavioral health conditions. Funding will be administered through the BHCIP process and used to purchase and install tiny homes with time-limited operational supports, as well as other bridge housing settings, such as assisted living. DHCS expects county behavioral health departments and Medi-Cal managed care plans to improve coordination to serve people with acute behavioral health challenges and those needing housing, treatment, and services, including medication, peer and family supports.

Due to the General Fund shortfall, the Governor's January budget proposes to delay $265 million of Behavioral Health Bridge Housing funding from 2023-24 until 2024-25 and $235 million from 2024-25 until 2025-26.

Subcommittee Staff Comment—This is an informational item.

Questions. The subcommittee requests DHCS respond to the following:

1. Please provide a brief overview of the significant program changes related to specialty mental health or Drug Medi-Cal services for the 2023-24 and 2024-25 fiscal years.

Issue 2: Narcotic Treatment Program Licensing Trust Fund

Budget Change Proposal – Governor's Budget. DHCS requests expenditure authority from the Narcotic Treatment Program Licensing Trust Fund of $500,000 annually. If approved, these resources would allow the DHCS Licensing and Certification Division to utilize licensure fee revenue from this fund to support program oversight.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0243 – Narcotic Treatment Program Licensing Trust Fund	$500,000	$500,000
Total Funding Request:	**$500,000**	**$500,000**

* Resources ongoing after 2025-26.

Background. The DHCS Licensing and Certification Division is responsible for licensing the establishment of all public and private narcotic treatment programs in the state and ensuring compliance with relevant statutory and regulatory requirements to ensure the safety and well-being of patients, the community, and the public. Narcotic treatment programs provide opioid medication assisted treatment to persons addicted to opiates, and provide detoxification or maintenance treatment services such as medical evaluations and rehabilitative services to help patients become or remain productive members of society.

The Licensing and Certification Division is authorized to charge and collect licensure fees on narcotic treatment programs to support licensure and inspection costs, not to exceed the actual costs of the program. According to DHCS, the narcotic treatment program licensing fees for 2023-24 are $4,052 for initial application for licensure, $1,126 for the base annual license fee, $35 patient slot fee, and a $1,437 program relocation fee. The fund receives approximately $2.1 million annually in fee revenue to support the program, and maintains a fund balance of between $4.6 million and $5.1 million over recent years.

Resource Request. DHCS requests expenditure authority from the Narcotic Treatment Program Licensing Trust Fund of $500,000 annually to allow the DHCS Licensing and Certification Division to utilize licensure fee revenue from this fund to support program oversight. According to DHCS, during 2021-22 and 2022-23, the cash balance in the fund has exceeded its appropriation. However, DHCS reports that in recent years, expenses have increased for the division, resulting in expenditures exceeding the fund's expenditure authority. When the division exceeded its expenditure authority, it has sought to supplement its budget with General Fund, although the licensing fund had sufficient cash reserves to support the expenditures. DHCS believes the addition of $500,000 of expenditure authority from the fund would be sufficient to prevent any additional need for General Fund supplemental support in future years.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 3: Behavioral Health Bridge Housing Program Funding Shift

Local Assistance – Governor's Budget. DHCS requests to delay expenditure authority from the Mental Health Services Fund of $265 million, originally approved in the 2023 Budget Act, from 2023-24 until 2023-24, for support of the Behavioral Health Bridge Housing program. In addition, DHCS also requests to shift the delayed expenditure authority from the Mental Health Services Fund to the General Fund, due to a shortfall in the availability of Mental Health Services Fund resources. DHCS also requests to delay General Fund expenditure authority of $235 million for the Behavioral Health Bridge Housing program, also approved in the 2023 Budget Act, from 2024-25 until 2025-26.

Multi-Year Funding Request Summary			
Fund Source	**2023-24**	**2024-25***	**2025-26**
0001 – General Fund	$-	$30,000,000	$235,000,000
3085 – Mental Health Services Fund	($265,000,000)	$-	$-
Total Funding Request:	**($265,000,000)**	**$30,000,000**	**$235,000,000**

* General Fund resources are net result of $265 million increased expenditures from 2023-24 delay and fund shift, and $235 million decreased expenditures from 2024-25 delayed until 2025-26.

Background. The 2022 Budget Act included General Fund expenditure authority of $1 billion in 2022-23 and $500 million in 2023-24 to support bridge housing projects to address the immediate housing and treatment needs of people experiencing unsheltered homelessness with serious behavioral health conditions. Funding will be administered through the Behavioral Health Continuum Infrastructure Program process and used to purchase and install tiny homes with time-limited operational supports, as well as other bridge housing settings, such as assisted living. DHCS expects county behavioral health departments and Medi-Cal managed care plans to improve coordination to serve people with acute behavioral health challenges and those needing housing, treatment, and services, including medication, peer and family supports.

The 2023 Budget Act included expenditure authority from the Mental Health Services Fund of $265 million, and a concomitant reduction of General Fund expenditure authority of $265 million, to support the Behavioral Health Bridge Housing program in 2023-24, and authorized delay of the final $250 million of the $1.5 billion allocated for the program, from 2023-24 until 2024-25. The resources from the Mental Health Services Fund were allocated from the State Administration Account of the fund. These resources were meant to offset General Fund expenditures of $265 million expected to be spent in 2023-24.

Local Assistance Request. DHCS requests to delay expenditure authority from the Mental Health Services Fund of $265 million, originally approved in the 2023 Budget Act, from 2023-24 until 2023-24, for support of the Behavioral Health Bridge Housing program. In addition, DHCS also requests to shift the delayed expenditure authority from the Mental Health Services Fund to the General Fund, due to a shortfall in the availability of Mental Health Services Fund resources. DHCS also requests to delay General Fund expenditure authority of $235 million for the Behavioral Health Bridge Housing program, also approved in the 2023 Budget Act, from 2024-25 until 2025-26.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal

Issue 4: Children and Youth Behavioral Health Initiative Fee Schedule – Trailer Bill Language

Trailer Bill Language – Governor's Budget. DHCS proposes trailer bill language to authorize a contract with a third party administrator to administer the school-linked statewide behavioral health provider network and fee schedule authorized by the Children and Youth Behavioral Health Initiative. The language would also authorize the imposition of a fee on health care service plans, insurers, and Medi-Cal managed care plans to support the contract with the third party administrator.

Background. As part of the Children and Youth Behavioral Health Initiative, the Legislature approved trailer bill language to require DHCS to develop and maintain a school-linked statewide fee schedule for outpatient mental health or substance use disorder treatment provided to a student 25 years of age or younger at a school site. A health care service plan, including a Medi-Cal managed care plan, or an insurer will, commencing January 1, 2024, be required to reimburse school-based services provided to one of its members according to the fee schedule, regardless of whether the provider is within the plan's or insurer's contracted provider network.

According to DHCS, there are significant operational complexities around provider management and claims submission for school-based or school-linked providers, as well as credentialing and provider oversight. Many school-based providers have no experience with billing commercial or self-insured plans for services provided to students. To address these concerns, the 2023 Budget Act included expenditure authority from the Mental Health Services Fund of $10 million in 2023-24 to create statewide infrastructure for provider management and to manage billing for behavioral health services furnished to students under the Children and Youth Behavioral Health Initiative statewide fee schedule. These resources support development and implementation of the infrastructure for provider, billing, and claiming management for the behavioral health services provided to students as part of the Children and Youth Behavioral Health Initiative.

General Fund Budget Solution and Trailer Bill Language. DHCS proposes trailer bill language to authorize a contract with a third party administrator to administer the school-linked statewide behavioral health provider network and fee schedule authorized by the Children and Youth Behavioral Health Initiative. The language would also authorize the imposition of a fee on health care service plans, insurers, and Medi-Cal managed care plans to support the contract with the third party administrator. Specifically, the proposed language would:

1) Authorize DHCS to contract with an entity to administer the school-linked statewide behavioral health provider network, including enrollment, credentialing, and reimbursement of providers.

2) Requires participating providers to comply with enrollment and credentialing requirements and submit all claims for reimbursement under the school-linked statewide fee schedule to the third party administrator.

3) Requires health care service plans, insurers, and Medi-Cal managed care plans to comply with requirements set forth by the third party administrator to cover and reimburse behavioral health services included in the school-linked statewide behavioral health services fee schedule.

4) Authorizes DHCS to establish and charge a fee to health care service plans, insurers, and Medi-Cal managed care plans to cover the cost of administering the school-linked statewide behavioral health provider network, including the contract with the third party administrator.

5) Requires that the fee shall be set in an amount sufficient to cover all costs incurred by the state associated with implementing the fee schedule, allows DHCS to periodically update and the amount and structure of the fee based on costs, and notify the Legislature of any proposed fee increases through submission of the semiannual Medi-Cal Local Assistance Estimate.

6) Establishes the Behavioral Health Schoolsite Fee Schedule Administration Fund to collect fee revenue to be used, upon appropriation by the Legislature, to support state costs for administering the school-linked statewide behavioral health provider network and fee schedule, including the third party administrator contract.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

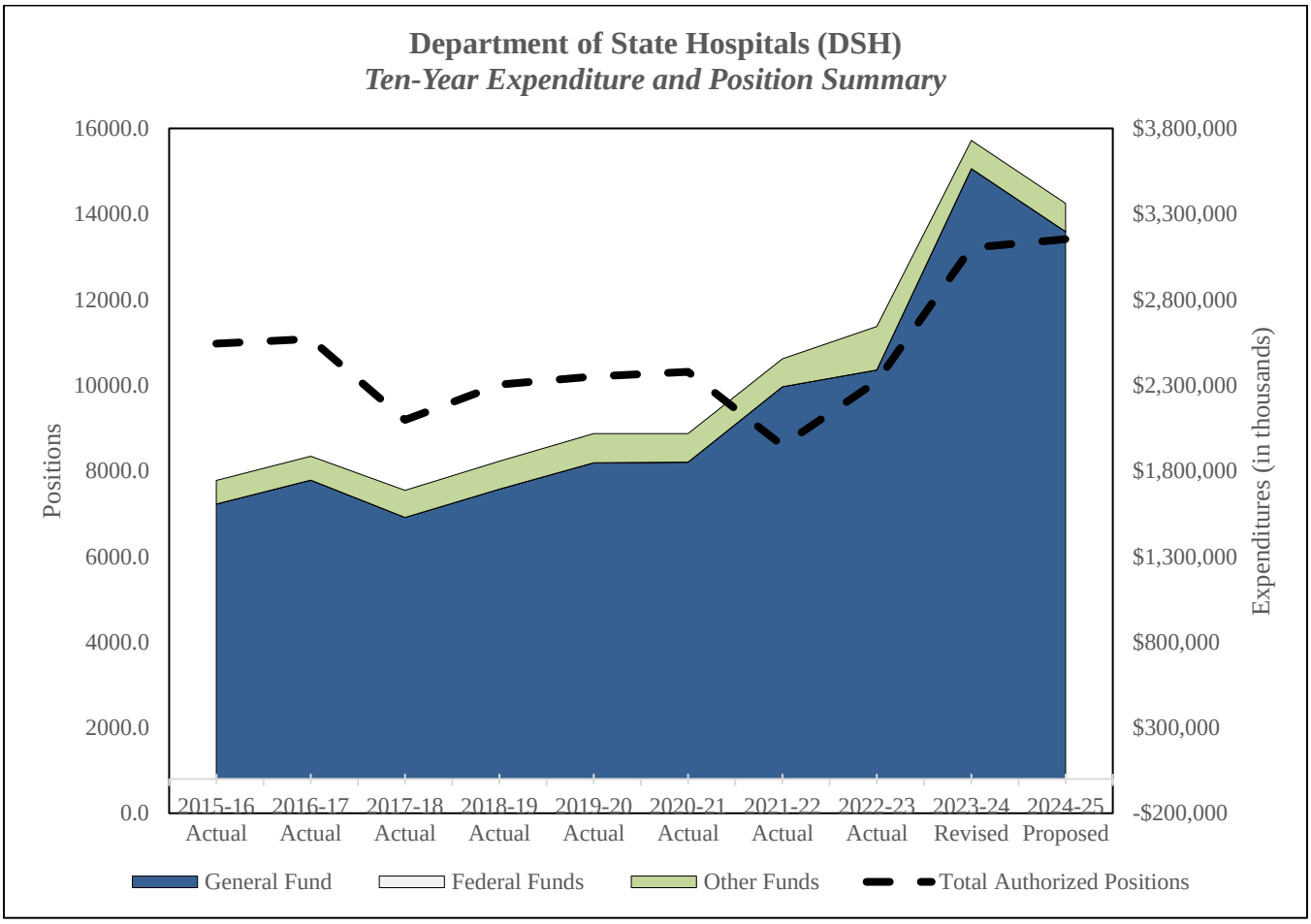
Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of this proposal.

2. Does the department have any preliminary estimates of the amount or structure of the proposed fee on health care service plans, insurers, and Medi-Cal managed care plans?

4440 DEPARTMENT STATE HOSPITALS

Issue 1: Overview



Department of State Hospitals - *Department Funding Summary* *(dollars in thousands)*				
Fund Source	***2022-23 Actual***	***2023-24 Budget Act***	***2023-24 Revised***	***2024-25 Proposed***
General Fund	$2,388,626	$3,258,712	$3,564,325	$3,197,195
Federal Funds	$0	$100	$100	$100
Other Funds	$254,704	$165,346	$165,346	$165,346
Total Department Funding:	**$2,643,330**	**$3,424,158**	**$3,729,771**	**$3,362,641**
Total Authorized Positions:	**10090.8**	**13352.2**	**13210**	**13412**
Other Funds Detail:				
CA State Lottery Education Fund (0814)	*$59*	*$21*	*$21*	*$21*

Reimbursements (0995)	*$192,784*	*$165,325*	*$165,325*	*$165,325*
CA Emergency Relief Fund (3398)	*$61,861*	*$0*	*$0*	*$0*

Background. DSH oversees five state hospitals which comprise the largest inpatient forensic mental health hospital system in the nation. In addition to forensic admissions, which comprise 87.2 percent of its population, the five state hospitals admit individuals civilly committed under the Lanterman-Petris-Short (LPS) Act because they require physically secure 24-hour care and meet legal criteria that they represent a danger to themselves or others. The categories of individuals admitted to state hospitals for treatment are:

- **Incompetent to Stand Trial (IST)** – IST patients are referred to DSH under Section 1370 of the Penal Code if a court has determined they are unable to understand the nature of criminal proceedings or assist counsel in their defense. IST patients receive competency-based treatment and are returned to court once able to participate in court proceedings. Most IST patients are charged with felonies, with some misdemeanors.

- **Not Guilty by Reason of Insanity (NGI)** – NGI patients are individuals found guilty of an offense, but are admitted to DSH if a court determines the individual was "insane" at the time the crime was committed. NGI patients are committed for a term equal to the maximum sentence which could have been imposed, though may be recommitted for an additional two years if the individual represents a substantial danger of physical harm.

- **Offenders with a Mental Health Disorder (OMD)** – OMD patients are parolees who meet the following six criteria for OMD classification: (1) presence of a severe mental disorder, (2) the mental disorder is not in remission or requires treatment to be kept in remission, (3) the mental disorder was a factor in the commitment offense, (4) the prisoner has been in treatment at least 90 days in the year prior to release, (5) the commitment offense involved force or violence or serious bodily injury, (6) the prisoner continues to be dangerous due to the severe mental disorder. OMD commitments under Section 2962 of the Penal Code span the length of the parole term, but may be extended for up to one year if the patient represents a danger of physical harm to others.

- **Sexually Violent Predators (SVP)** – SVP commitments are civil commitments of prisoners released from prison who meet certain criteria under the Sexually Violent Predator Act, including being convicted of certain sex offenses and diagnosed with a mental disorder that increases the likelihood of engaging in sexually violent criminal behavior. SVP patients undergo an annual review process to evaluate the patient's suitability for release into the community, either conditionally or without supervision.

- **Lanterman-Petris-Short (LPS)** – LPS patients are individuals that require physically secure 24-hour care and are committed through civil court proceedings that determine the individual is a danger to themselves or others or suffers from a grave disability. LPS patients are discharged when their county of residence places them in a different facility, in independent living, or with family, or if a court removes the conservatorship.

- ***Coleman*** **Class Patients (Mentally Ill Prisoners)** – *Coleman* patients are referred by the California Department of Corrections and Rehabilitation (CDCR) when they are found to be

mentally ill while in prison. *Coleman* patients return to CDCR custody when they have received the maximum benefit from treatment. If these individuals are still mentally ill at the end of their prison term, they may be committed to DSH as an OMD.

- **Conditional Release Program (CONREP)** – CONREP provides outpatient treatment to individuals ordered by a court to be released if their symptoms have been stabilized and they no longer represent a danger to society. After one year, a court hearing determines if the patient will continue in the program, be sent back to DSH, or be released.

	2023-24	2024-25
Population by Hospital		
Atascadero	1,067	1,067
Coalinga	1,341	1,341
Metropolitan	902	902
Napa	1,103	1,103
Patton	1,426	1,426
State Hospitals Population Total	**5,839**	**5,839**
Population by Commitment Type		
Incomptent to Stand Trial (IST)	1,912	1,912
Not Guilty by Reason of Insanity (NGI)	1,225	1,225
Offender with a Mental Health Disorder (OMD)	1,051	1,051
Sexually Violent Predator (SVP)	954	954
Lanterman-Petris-Short Civil Commitments (LPS)	585	585
Coleman Referrals	112	112
Contracted Programs		
Jail-Based Competency Treatment (JBCT) Programs	522	567
Community-Based Restoration	948	1,706
Community Inpatient Facilities	183	223
Contracted Programs Population Total	**1,653**	**2,496**
CONREP Programs		
CONREP SVP	27	31
CONREP Non-SVP	674	674
CONREP FACT Program	90	90
CONREP Step Down Facilities	184	184
Total CONREP Programs	**975**	**979**
Total State Hospitals, Contracted, and CONREP Programs	**8,467**	**9,314S**

Figure 1: State Hospital Projected Census by Hospital, Commitment Type and Contracted Programs
Source: *2024-25 Governor's Budget Estimate, Department of State Hospitals, January 2024*

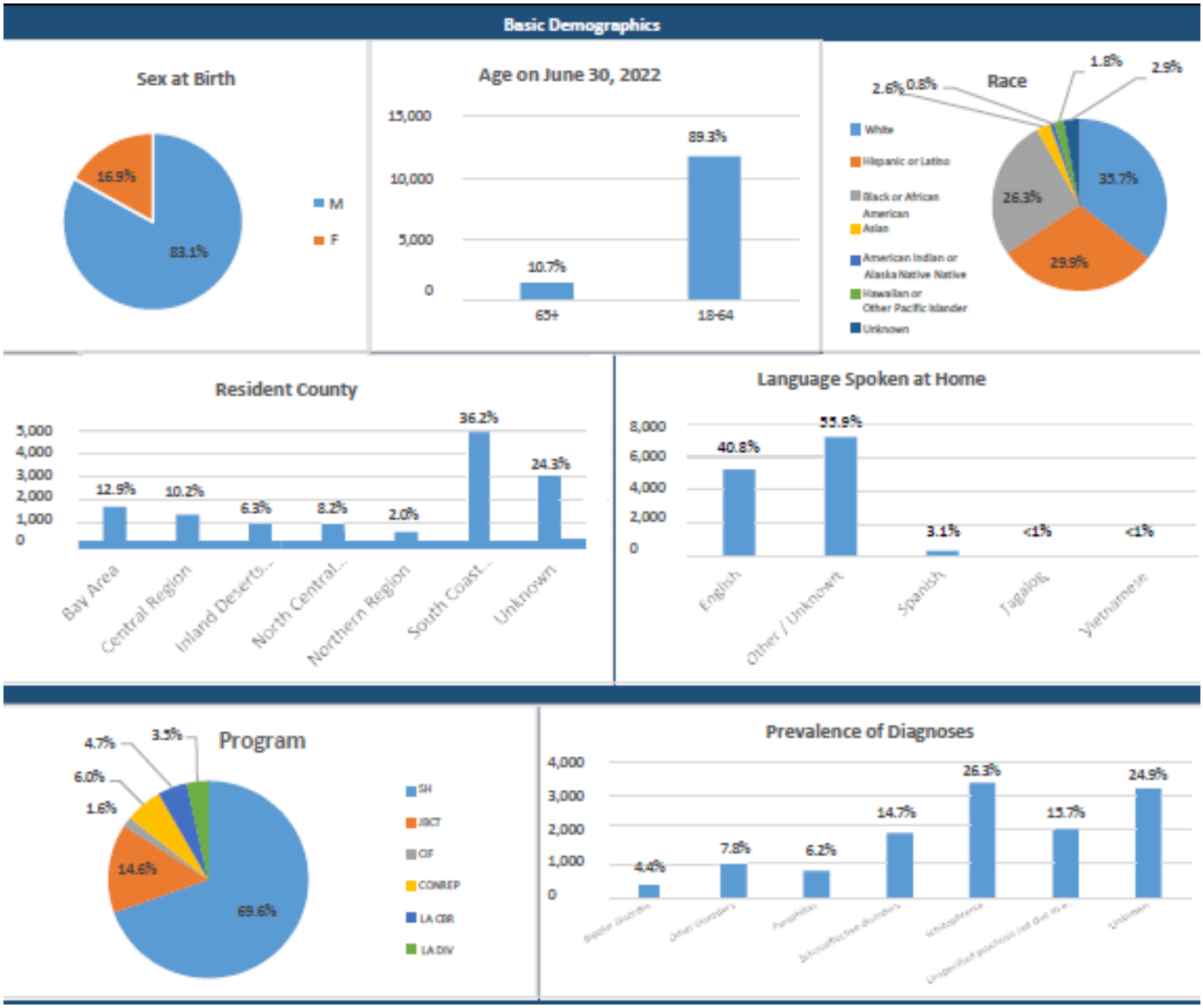


Figure 2: State Hospital Demographic Snapshot: All Commitment Types
Source: *2024-25 Governor's Budget Estimate, Department of State Hospitals, January 2024*

The five state hospitals operated by DSH are:

- **Atascadero State Hospital –** Located on the Central Coast in San Luis Obispo County, Atascadero is a self-contained psychiatric hospital with an all-male population primarily composed of OMD, *Coleman*, IST, LPS, and NGI patients. Atascadero has a licensed bed capacity of 1,275 beds, employs approximately 2,280 staff, and served 1,067 patients in 2022-23.

- **Coalinga State Hospital** – Located in the Central Valley in Fresno County, Coalinga is a self-contained psychiatric hospital with an all-male population primarily composed of LPS, OMD, *Coleman*, NGI, and SVP patients. Coalinga has a licensed bed capacity of 1,500 beds, employs approximately 2,490 staff, and served 1,341 patients in 2022-23.

- **Metropolitan State Hospital** – Located in Norwalk in Los Angeles County, Metropolitan is an "open" style campus within a security perimeter. Due to community concerns, a formal agreement with the City of Norwalk and the county sheriff prohibits Metropolitan from accepting patients charged with murder or a sex crime, or at high risk for escape. Metropolitan primarily serves LPS, IST, OMD, and NGI patients and has a licensed bed capacity of 1,106 beds, employs approximately 2,270 staff, and served 762 patients in 2022-23.

- **Napa State Hospital** – Located in Napa County, Napa has an "open" style campus within a security perimeter. Napa primarily treats IST, LPS, OMD, and NGI patients and has a licensed bed capacity of 1,418 beds, but is currently able to operate only 1,374 beds. Napa employs approximately 2,670 staff, and served 1,103 patients in 2022-23.

- **Patton State Hospital** – Located in the town of Highland in San Bernardino County, Patton is an "open" style campus within a security perimeter operated by correctional officers from CDCR due to concerns from the surrounding community. Patton primarily serves LPS, IST, OMD, *Coleman* and NGI patients and has a licensed bed capacity of 1,287 beds, employs approximately 2,570 staff, and served 1,416 patients in 2022-23.

Subcommittee Staff Comment. This is an informational item.

Questions. The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of the State Hospital system, including major inpatient categories, treatment programs, and significant organizational changes.

Issue 2: Program and Caseload Updates

Program and Caseload Updates – Governor's Budget. DSH requests resources to support the following program and caseload updates in its 2024-25 Governor's Budget Estimate.

Program Update – Metropolitan: Increased Secure Bed Capacity. DSH estimates General Fund savings of $9.6 million in 2023-24 due to delays in the activation of newly secured units at Metropolitan State Hospital to provide increased capacity for the treatment of IST patients. The 2016 Budget Act included capital outlay construction funding to securely enclose existing patient buildings that previously housed civilly committed patients under the Lanterman-Petris-Short (LPS) Act. Once secured, the LPS patients currently housed in these units will be transferred to non-secured buildings elsewhere on the Metropolitan campus and allow for additional secured capacity for the treatment of IST patients currently in county jails awaiting state hospital treatment.

According to DSH, of the five units under construction, Unit 1 was activated September 23, 2019, Unit 2 was activated on January 29, 2020, and Unit 3 was activated on November 1, 2022. Units 4 and 5 were originally scheduled to be activated in September 2021, but the activation of these units was delayed until due to the following: 1) impacts from the COVID-19 pandemic, 2) use of these units to relocate skilled nursing facility patients due to water damage to the facility, and 3) use of these units as swing space as Metropolitan upgrades its fire alarm system in other housing units in the hospital. The 2023 Budget Act assumed these units would be activated in July 2023. DSH now expects these units to be activated in May 2024, a 10 month delay that will result in a one-time savings of $9.6 million General Fund in 2023-24.

Program Update – Mission Based Review: Direct Care Nursing. DSH estimates General Fund savings of $10.3 million in 2023-24 due to delays in staffing changes to implement methodologies to provide appropriate 24-hour nursing care, administration of medication, and an afterhours nursing supervisory structure. The 2019 Budget Act included a total of 379.5 positions and General Fund expenditure authority of $46 million, phased in over three years, to implement new direct care nursing staffing methodology changes developed in collaboration with the Department of Finance. Due to the pandemic-induced recession, and resulting General Fund deficit, the 2020 Budget Act shifted these resources to be phased in across a longer time frame. DSH reports the following updates to the phase in of positions:

- Medication Pass Psychiatric Technicians – The 2019 Budget Act included 335 positions for medication pass staffing. The 2020 Budget Act adjusted the positions to be phased-in over five years. As of August 31, 2023, all 335 positions had been established and 177 positions had been filled, resulting in a General Fund savings of $10.3 million in 2023-24. According to DSH, recruiting for these positions has proven challenging and the department is contracting with a marketing and outreach consultant to create digital ad campaigns and produce leads for multiple DSH classifications, including psychiatric technicians. DSH is also collaborating with various college programs to increase overall admissions for psychiatric technician programs, and striving to streamline the hiring process with rapid hiring events and same-day contingent offers.

- Afterhours Supervising Registered Nurses – The 2019 Budget Act included 44.5 positions for afterhours nursing supervision. The 2020 Budget Act adjusted these positions to be phased-in over two years. As of August 31, 2023, all 44.5 positions had been established and all 44.5 positions had been filled.

Program Update – Mission Based Review: Treatment Team and Primary Care. DSH estimates General Fund savings of $5.3 million in 2023-24 due to delays in hiring for treatment and primary care teams. In 2020-21, DSH proposed changes to its staffing methodologies for its treatment and primary care teams, including a total of 250.2 positions and General Fund expenditure authority of $64.2 million over a five year period. However, due to the pandemic induced recession and resulting General Fund shortfall, the 2020 Budget Act only included 12.5 positions and General Fund expenditure authority of $5 million in 2020-21 and 30 positions and General Fund expenditure authority of $10 million annually thereafter to support implementation of these staffing changes. The 2021 Budget Act included 213.3 positions and $54.1 million, phased in over five years, to support full implementation of the new staffing methodology. DSH reports the following updates to the phase-in of positions:

- Interdisciplinary Treatment Team –A total of 180.4 positions were allocated to support the Interdisciplinary Treatment Team, which is responsible for the planning and delivery of treatment, discipline-specific other workload, administrative and professional responsibilities, crisis prevention, unit milieu work, and crisis and incident management. As of August 31, 2023, 52.8 of the 180.4 positions had been established.
- Primary Medical Care – A total of 31.9 positions were allocated to support primary medical care including routine preventative care and the treatment of non-life-threatening medical illness. As of August 31, 2023, all 31.9 positions had been established and 10.5 positions had been filled, resulting in a General Fund savings of $4.1 million in 2023-24.
- Trauma-Informed Care –A total of six positions were allocated to support trauma-informed care, a comprehensive approach that includes workforce training, trauma-informed policies and standards, and the provision of evidence-based, trauma-specific screening, assessment, referral, and treatment. As of August 31, 2023, all six of the positions had been established and all six positions had been filled.
- Clinical Executive Structure: Administrative Support –A total of six positions were allocated for administrative support positions for personnel management. As of August 31, 2023, all six of the positions had been established and all six of the positions had been filled.
- Clinical Executive Structure: Executive Leadership – A total of 12 positions were allocated for clinical executive leadership including six Medical Directors, one Assistant Medical Director, and five Chiefs of Primary Care Services for the five state hospitals. As of August 31, 2023, all 12 positions had been established, and seven of the positions had been filled, resulting in a General Fund savings of $1.2 million in 2023-24.
- Discharge Strike Team –A total of six positions were allocated to support the Discharge Strike Team, which focuses on establishing and strengthening relationships with placement communities to improve knowledge of community resources, address barriers to placement and improve communication in efforts to expedite placement. As of August 31, 2023, all six positions had been established, and all six positions had been filled.

Program Update – Patient-Driven Operating Expenses and Equipment. DSH General Fund expenditure authority of $10.8 million in 2023-24 and annually thereafter to support operating expenses and equipment (OE&E) related to the care and treatment of DSH patients. These expenses include funding for outside medical care, pharmaceuticals, patient clothing, food, and costs for patient advocacy. For 2023-24, DSH estimates costs for utilities have risen by $4.6 million, costs for foodstuffs have risen by $2.9 million, and costs for pharmaceuticals have risen by $1.4 million. DSH estimates costs related to

updated census figures for 2023-24 are approximately $2 million. DSH estimates patient census and per patient costs to remain static for 2024-25, resulting in no additional costs for 2024-25 and ongoing. If this adjustment is approved, the total annual costs for OE&E would rise from $135.9 million to $146.7 million.

Program and Caseload Update: Forensic Conditional Release Program (CONREP) – General/Non-Sexually Violent Predator (Non-SVP) Program. The Forensic Conditional Release Program (CONREP) was established in 1986 and provides outpatient treatment to individuals ordered by a court to be released if their symptoms have been stabilized and they no longer represent a danger to society. The CONREP population includes patients committed to state hospitals as Not Guilty by Reason of Insanity (NGI), Offenders with a Mental Health Disorder (OMD), and felony Incompetent to Stand Trial (IST). After one year, a court hearing determines if the patient will continue in the program, be sent back to DSH, or be released.

According to DSH, when a patient is discharged to CONREP, the goal is to provide an independent living environment in the least restrictive setting. However, if the patient has not demonstrated the ability to live in the community without direct staff supervision, the patient is referred to a Statewide Transitional Residential Program (STRP), a resource used by CONREP to provide patients the opportunity to learn and demonstrate appropriate community living skills in a controlled setting with 24 hour supervision.

DSH estimates General Fund savings of $599,000 in 2023-24 due to delays in admissions to its Northern California Statewide Transitional Residential Program (STRP) facility.

- 55 Statewide Transitional Residential Program (STRP) Beds in 2023-24, including:
  - 35 bed activated Southern California STRP
  - 20 bed activated Northern California STRP
- 90 Forensic Assertive Community Treatment (FACT) Beds, including:
  - 30 activated beds in Central California in 2022-23
  - 60 beds activated in Northern California and Southern California in 2021-22
- 132 Institute of Mental Disorder (IMD) Beds in 2023-24, including
  - Southern CA IMD Facility – DSH reports delayed activation of a 78 bed Institute for Mental Disease (IMD) facility in southern California due to delayed external approvals from the federal Centers for Medicare and Medicaid Services (CMS) and the state Department of Public Health, as well as supply chain and labor shortages related to the COVID-19 pandemic. As of November 2023, 33 beds have been activated as part of Phase I with 20 patients transferring from the adjacent Sylmar IMD program. The remaining beds in Phase II scheduled for activation in late December 2023. DSH reports $2.8 million General Fund savings in 2023-24 from delayed program activation would be used to support retrofitting costs for its Sylmar IMD to allow it to transition from a CONREP program to a 24-bed Community Inpatient Facility program dedicated to serving IST patients.
  - Northern CA IMD Facility – DSH established a ten bed IMD facility in northern California, which was activated in July 2020. In July 2021, DSH extended the contract term and expanded the program by an additional ten beds. The 2023 Budget Act expanded services for an additional ten beds, for a total of 30 beds. DSH reports as of November 2023, all 30 beds are filled or reserved for patients ready for placement.

- Northern CA STRP Facility – According to DSH, as of November 2023, eight of the 20 beds in this facility are filled. As a result, DSH reports a one-time General Fund savings of $599,000 in 2023-24.

Program Update – Contracted Patient Services Incompetent to Stand Trial (IST) Solutions. DSH estimates General Fund savings of $58.6 million in 2023-24 due to changes in jail-based competency treatment program (JBCT) programs, community inpatient facility (CIF) programs, and Early Access and Stabilization Services (EASS) programs. According to DSH, the 2023 Budget Act assumed an IST waitlist of 804 due to implementation and expansion of existing IST programs. For 2024-25, DSH estimates the IST waitlist is at 501 as of January 1, 2024.

- Jail-Based Competency Treatment (JBCT) Programs – DSH estimates General Fund savings of $8.6 million in 2023-24, primarily driven by delays in expansions and activations of jail-based competency treatment (JBCT) programs.
- Community Inpatient Facility (CIF) – DSH estimates General Fund savings of $30 million in 2023-24 due to a lengthy negotiation process to secure additional community inpatient facility (CIF) contracts in time for a 2023-24 activation. DSH reports it has activated four CIFs with a total of 159 beds, with 136 of those beds filled as of November 2023.
- Early Access and Stabilization Services (EASS) – The Early Access and Stabilization Services program was established as part of the IST Solutions package approved in the 2022 Budget Act. According to DSH, the program provides treatment at the earliest point possible upon an individual's commitment and promotes stabilization to increase community-based treatment placements. To rapidly establish the EASS programs in county jails, DSH reports it is leveraging existing JBCT programs and starting new programs in counties without JBCT programs. DSH reports the first EASS program was activated in July 2022, and as of November 29, 2023, a total of 44 EASS programs have been activated. The counties that have activated EASS programs include: Kings, Monterey, Ventura, Fresno, Calaveras, Stanislaus, Yuba, Nevada, Sierra, Shasta, Santa Barbara, Merced, San Bernardino, Madera, Lassen, Sonoma, Del Norte, Humboldt, Imperial, Santa Cruz, Napa, Sutter, Riverside, Lake, San Benito, Tuolumne, Amador, Plumas, Solano, El Dorado, Glenn, Mariposa, Colusa, Tulare, Mono, Modoc, San Diego, San Luis Obispo, Sacramento, Inyo, Butte, San Joaquin, Tehama, Yolo, and San Mateo.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding these items open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of each of the program and caseload updates referenced in this item.

Issue 3: Infectious Disease Prevention

Program Update – Governor's Budget. DSH requests General Fund expenditure authority of $25.9 million in 2024-25 and $7.7 million annually thereafter to support infection control measures to protect the health and safety of employees and patients in compliance with state and federal infectious disease prevention guidance.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26***
0001 – General Fund	$25,900,000	$7,700,000
Total Funding Request:	**$25,900,000**	**$7,700,000**
Total Requested Positions:	**10.0**	**10.0**

* Resources ongoing after 2025-26.

Background. The state's response to the COVID-19 pandemic has required rapid deployment of state and federal resources to support a wide variety of activities designed to mitigate the spread of the virus, while maintaining vital services and protecting the most vulnerable Californians. The 2021 Budget Act included General Fund expenditure authority of $52 million in 2021-22 to support staff costs for cleaning, staffing coverage, environmental projects, custody tasks, screening and isolation, commodity purchases, sanitation supplies, changes in food service, as well as equipment for heating and air, filtration, and information technology solutions. The 2022 Budget Act included General Fund expenditure authority of $64.6 million in 2022-23 to support response activities to the COVID-19 pandemic, primarily for staffing and testing. The 2023 Budget Act included $42.1 million in 2023-24 to support testing, surge capacity resources, public health teams, and commodity goods.

Resource Request. DSH requests General Fund expenditure authority of $25.9 million in 2024-25 and $7.7 million annually thereafter to support infection control measures to protect the health and safety of employees and patients in compliance with state and federal infectious disease prevention guidance. Specifically, DSH requests resources in the following categories:

- Testing – DSH requests General Fund expenditure authority of $10 million in 2024-25 for the costs of testing patients and employees of the state hospitals. DSH reports that its state hospitals will continue to perform diagnostic screening testing for both patients and staff, even though the COVID-19 state of emergency has ended. These testing activities will require both rapid antigen tests and polymerase chain reaction (PCR) test capabilities.

- Surge Capacity Resources – DSH requests General Fund expenditure authority of $8.2 million in 2024-25 to support surge capacity for its hospitals, including:
  - *Hospital Staffing* - $4.7 million in 2024-25 would support contracted short-term staffing support during COVID-19 surges.
  - *Norwalk Alternate Care Site* - $3.5 million in 2024-25 would support an alternate care site in Norwalk, which is administered by the California Department of Corrections and Rehabilitation under an interagency agreement with DSH. The site is part of the Southern Youth Correctional Reception Center and Clinic and is being operated as a satellite facility to Metropolitan State Hospital for use as an isolation or quarantine space. These resources would continue to support the interagency agreement for this facility, currently scheduled to run through December 31, 2024.

- Vaccinations – DSH requests General Fund expenditure authority of $3.8 million in 2024-25 and annually thereafter to support administration of vaccinations for patients and staff. DSH offers comprehensive influenza and COVID-19 vaccination programs, as well as offering vaccinations for Hepatitis B, tetanus/diphtheria/acellular pertussis (Tdap), measles/mumps/rubella (MMR), and varicella zoster virus (VZV). Previously, COVID-19 vaccines were provided at no cost to DSH by CDPH. CDPH no longer provides no cost vaccines, requiring DSH to purchase COVID-19 and other vaccines provided to patient and staff.

- Public Health Nurses – DSH requests 10 positions and General Fund expenditure authority of $1.9 million in 2024-25 and annually thereafter to continue support of ten existing Public Health Nurses that support the department's vaccination and monitoring programs.

- Commodity Goods – DSH requests General Fund expenditure authority of $2 million in 2024-25 and annually thereafter to support personal protective equipment (e.g. gloves, gowns, masks, protective clothing, and face shields), sanitation supplies (e.g. germicidal bleach, hand sanitizer, and hydrogen peroxide wipes), and additional food and food supplies for quarantined and isolated patients unable to eat in the common dining rooms.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposal.

Issue 4: Incompetent to Stand Trial (IST) Solutions – Trailer Bill Language

Trailer Bill Language – Governor's Budget. DSH proposes trailer bill language to clarify the statutory authority provided to implement various Incompetent to Stand Trial (IST) solutions authorized by the 2022 Budget Act.

Background. The State Hospitals system admits individuals determined to be incompetent to stand trial (IST) under Section 1370 of the Penal Code, typically for felony offenses, and provides clinical and medical services to restore these individuals to competency. Because of capacity constraints within the state hospital system, as of November 2023, 501 individuals in the IST population are housed in county jails awaiting placement into a state hospital bed or jail-based competency program. This backlog, which had grown significantly in the prior two years due to the COVID-19 pandemic, placed operational and fiscal stress on county jails and, according to recent court rulings, violated the due process rights of individuals in custody for longer than a reasonable time to evaluate their potential for restoration to competency.

Incompetent to Stand Trial Referrals. Under California law "[a] person cannot be tried or adjudged to punishment or have his or her probation, mandatory supervision, post-release community supervision, or parole revoked while that person is mentally incompetent." IST patients are referred to DSH under Section 1370 of the Penal Code if a court has determined they are unable to understand the nature of criminal proceedings or assist counsel in their defense. IST patients receive competency-based treatment and are returned to court once able to participate in court proceedings. If a defendant's attorney raises concerns about his or her competency to stand trial, the judge in the case may order a mental health evaluation by a psychiatrist or clinical psychologist. If the evaluation finds substantial evidence the defendant is incompetent, a competency hearing is scheduled with additional expert testimony and an opportunity for the defendant to respond to or refute the findings of the evaluation. If the court finds a defendant incompetent to stand trial, the local community health director determines whether the defendant is best treated in a local facility, an outpatient facility, or at a state hospital. Misdemeanants are typically treated in an outpatient setting or released, while felonies are typically referred for treatment at a state hospital. If a bed is not available in a state hospital, the defendant remains in the custody of the county until a bed becomes available. Capacity constraints in the state hospital system have resulted in ongoing backlogs of defendants deemed IST in county jails for extended periods awaiting treatment.

***Stiavetti v. Clendenin* Requires Commencement of Treatment for IST Patients Within 28 Days.** In 2015, five family members of IST patients committed to DSH and the Department of Developmental Services (DDS) filed suit against the state challenging statewide delays in transfer of IST patients from county jails to DSH or DDS to begin substantive treatment services as a violation of the patients' due process rights. On April 19, 2019, the Alameda County Superior Court concluded that IST patients have a constitutional right to substantive services within a reasonable period of time and that DSH and DDS had violated the due process rights of IST patients referred to a state hospital or to DDS. The court found that constitutional due process requires that DSH and DDS must commence substantive services to restore an IST patient to competency within 28 days of the transfer of responsibility for an IST patient to DSH. On August 25, 2021, the California Supreme Court denied final review of the court's decision and, upon remand, the Alameda County Superior Court issued the following amended compliance timelines for DSH and DDS:

- No later than August 27, 2022: DSH and DDS must commence substantive services for all IST patients within 60 days from the transfer of responsibility date.
- No later than February 27, 2023: DSH and DDS must commence substantive services for all IST patients within 45 days from the transfer of responsibility date.
- No later than August 27, 2023: DSH and DDS must commence substantive services for all IST patients within 33 days from the transfer of responsibility date.
- No later than February 27, 2024: DSH and DDS must commence substantive services for IST patients within 28 days from the transfer of responsibility date.

Administration Proposals to Increase IST Capacity in State Hospitals. Over recent years, this Administration and the previous Administration have proposed a series of projects to expand capacity in State Hospitals for the treatment of IST patients. These proposals were in response to the growing backlog of IST patients in county jails over the last ten years and the potential for court mandates resulting from the *Stiavetti* case. These proposals include: 1) expansion of secured bed capacity at Metropolitan State Hospital to treat IST patients; 2) expansion of existing jail-based competency treatment programs and implementation of new programs; and 3) activation of OMD bed capacity at Coalinga State Hospital to allow transfer from other secured units to provide treatment space for IST patients in other hospitals.

2018 Budget Act - IST Community-Based Diversion Program. The 2018 Budget Act included General Fund expenditure authority of $100 million to establish an IST Diversion Program, which contracts with counties to serve individuals with serious mental illnesses with potential to be determined to be incompetent to stand trial (IST) on felony charges. The program prioritized $91 million of funding for these programs in the 15 counties with the highest referrals of ISTs to DSH in 2016-17, including Alameda, Contra Costa, Fresno, Kern, Los Angeles, Riverside, Sacramento, San Bernardino, San Diego, San Joaquin, Santa Barbara, Santa Clara, Solano, Sonoma, and Stanislaus. These counties were not required to submit a competitive application. In May 2020, Stanislaus County chose not to participate due to COVID-19 related economic issues and lack of other county resources to establish the program.

Of the remaining funding, $8.5 million was made available to other counties under a competitive funding process. In June 2019, DSH awarded funding to the following counties: Del Norte, Marin, Placer, San Francisco, San Luis Obispo, Santa Cruz, and Yolo. In November 2019, DSH awarded a second round of funding to Humboldt, San Mateo, Siskiyou, and Ventura counties.

IST Workgroup Established to Recommend Solutions to Reduce Backlog. In response to the court's ruling in *Stiavetti*, the 2021 Budget Act included trailer bill language to require DSH to convene an IST Solutions Workgroup to identify short-term, medium-term, and long-term solutions for alternatives to placement of defendants determined to be IST in a state hospital. The IST Solutions Workgroup met five times between August 2021 and November 2021 to develop solutions to the backlog of IST patients awaiting admission to state hospitals. The workgroup focused on three primary areas: 1) early access to treatment and stabilization for individuals determined to be IST on felony charges; 2) diversion and community-based restoration for individuals determined to be IST on felony charges; and 3) improving the quality of initial county competency evaluations. The workgroup released its findings in a report in November 2021 that included short-, medium-, and long-term recommendations.

IMD and Sub-Acute Bed Capacity Funding Program. In addition to establishment of the IST Workgroup, the 2021 Budget Act included 22 positions and General Fund expenditure authority of $267.1

million to authorize DSH to contract for subacute bed capacity to address the increasing number of IST patient referrals to state hospitals. DSH reports it began engagement with multiple private providers in summer 2021 and continues to work with those providers to develop bed capacity throughout the state. DSH is attempting to partner with providers that can provide a blend of acute and sub-acute bed capacity, which DSH believes will allow more individuals to transition from jail to community settings and promote a broader continuum of care. DSH is engaging counties that currently lack capacity to stabilize IST patients to provide funding to expand the reach of diversion programs. In addition, DSH is engaging with counties that have not been able to fully participate in diversion and community-based restoration programs due to lack of availability of sub-acute beds in their communities. DSH is also attempting to align funding for this program with the proposals contained within its IST Solutions Package.

IST Solutions Program. The 2021 Budget Act included General Fund expenditure authority of $93 million in 2021-22 and $571 million annually thereafter to support implementation of solutions to provide timely treatment for patients determined incompetent to stand trial (IST) on felony charges and to support ongoing efforts to decriminalize mental illness in California. Of these resources, $75 million in 2021-22 and $175 million annually thereafter was allocated for IST solutions, and $18 million in 2021-22 and $46 million annually thereafter was allocated for IST diversion and community-based restoration (CBR), approved in the 2021 Budget Act. The 2022 Budget Act included total additional ongoing funding of $350 million beginning in 2022-23. The IST solutions included the following:

- *Stabilization and Early Access to Treatment.* $24.9 million in 2021-22 and $66.8 million in 2022-23 and annually thereafter to provide access to treatment services for individuals on the IST waitlist. Treatment is facilitated in partnership with county jail mental health providers and includes administration of medications such as long-acting injectable (LAI) medications, increased clinical engagement, and competency education. DSH leverages its existing jail-based competency treatment infrastructure to provide these services.
- *Care Coordination and Waitlist Management*. $1.7 million in 2021-22 and $4.9 million in 2022-23 and annually thereafter to support teams to screen all IST patients to determine eligibility for community-based programs, provide enhanced monitoring of the waitlist, and provide commitment-to-admission case management to coordinate appropriate placements and maximize bed usage.
- *Housing Augmentation for Current Diversion Contracts*. $60 million in 2021-22 to support one-time interim housing investments for IST patients participating in a DSH diversion program. $75,000 per patient supports the cost of appropriate housing to facilitate increased diversion placements of patients determined IST on felony charges. Counties use this funding to provide housing to diversion clients in the most appropriate level-of-care such as IMDs, mental health rehabilitation centers, residential housing with clinically enhanced services, board and care homes, and other appropriate residential facilities.
- *Housing Infrastructure - CBR or Diversion Beds.* $6.4 million in 2021-22 and $233 million in 2022-23 and annually thereafter to support development of residential housing settings for IST patients participating in CBR or diversion programs. $350,000 in start-up funds was provided for approximately 700 housing units to cover down payment, retrofitting, and furnishings to provide approximately 5,000 beds.
- *Community Program Funding for CBR or Diversion Clients*. $266.5 million in 2022-23 and annually thereafter to support creation or expansion of permanent community-based treatment programs for IST patients. These resources support a robust per-patient rate, non-treatment costs of managing

community-based programs, transitional housing support for IST patients released from custody, and technical assistance resources for participating counties.

- *Increased Conditional Release Program (CONREP) Placements*. $433,000 in 2022-23 and annually thereafter to support a pilot for a new independent placement determination panel to increase the number of individuals served in the community through the Conditional Release Program (CONREP).

Trailer Bill Language Request. DSH proposes trailer bill language to clarify the statutory authority provided to implement various Incompetent to Stand Trial (IST) solutions authorized by the 2022 Budget Act. Specifically, the proposed trailer bill language would:

1) Clarify that DSH has the authority to receive medical records for individuals committed to DSH.

2) Require public and private medical facilities to provide medical records to DSH upon request.

3) Provide a mechanism to remove individuals from the IST waitlist if the individual is out of the county sheriff's custody, or is not delivered to a DSH facility after reasonable efforts to coordinate.

4) Clarify statute regarding the circumstances under which an individual restored to competency can remain at DSH for the purpose of maintaining competency.

5) Establish authority for the court to address the issue of involuntary medications for individuals that remain at DSH for the purposes of maintaining competency.

6) Extend DSH authority to bill for individuals restored to competency who remain in state hospital treatment beds after 10 days to other DSH funded IST treatment programs.

7) Change the timeline from quarterly to monthly for DSH contracted diversion programs to report diversion data to DSH.

8) Provide authority in the Vehicle Code for DSH to assist discharging patients with obtaining California identification cards.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposed trailer bill language.

Issue 5: Metropolitan – Central Utility Plant Replacement

Capital Outlay Budget Change Proposal – Governor's Budget. DSH requests General Fund expenditure authority of $50.5 million in 2024-25. If approved, these resources would support the construction phase of the project at Metropolitan State Hospital to replace the Central Utility Plant.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$50,445,000	$-
Total Funding Request:	**$50,445,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background. The Central Utility Plant at Metropolitan State Hospital was completed in 1988 and provided a net electrical output of 27,800 kilowatts. Originally built and operated by Wheelabrator Norwalk Energy Corporation, Metropolitan assumed control of plant operations after termination of the contract with Wheelabrator. According to DSH, the plant operates the central steam boiler system and chiller plants, underground mechanical, electrical, and steam distribution infrastructure, energy management systems, and provides connection to the site's natural gas, water, and sanitary sewer lines. DSH reports that the old, inefficient design of the plant and the age of the equipment, along with the lack of modern environmental controls, makes future repair and maintenance difficult and extremely costly. In addition, DSH reports the original steam and underground piping distribution system was installed in 1915 and up to 20 percent of steam is lost through leaks. Major repairs to the infrastructure and full replacement of the older heating and cooling systems are necessary to achieve current operating standards for reliability, efficiency, and cost-effectiveness.

Capital Outlay Request – Construction. DSH requests General Fund expenditure authority of $50.5 million in 2024-25 to support the construction phase of the project at Metropolitan State Hospital to replace the Central Utility Plant., which supplies steam for hot water and central heating and chilled water for air conditioning to 32 patient housing and administrative buildings. DSH expects the project to: 1) replace the chillers, boilers, and pumps and replace all steam and condensate piping with hot water piping; 2) remove the steam and condensate piping campus-wide; 3) install hot water lines in the tunnels, crawl spaces, and open trenches with removable steel open grating locations; 4) install temporary steam boilers at several locations; and 5) install new boiler plant in the existing gas compressor room, consisting of three hot water boilers and pumps with room for a fourth boiler and pump if needed in the future. According to DSH, the new boilers would be comprised of commercial duty, low emissions equipment certified by the Southern California Air Quality Management District. The hot water pumps would also utilize variable speed operation to maximize plant efficiency.

According to DSH, total project costs are estimated to be $54.1 million, including the following:

- Preliminary plans - $1,835,000
- Working drawings - $1,863,000
- Construction - $50,445,000

The construction phase costs would include $42.1 million for the construction contract, $3 million for contingency, $3 million for architectural and engineering services, and $2.3 million for other project costs.

According to DSH, preliminary plans will be completed by February 2024, working drawings would begin in February 2024 and be completed in February 2025, and construction would begin in February 2025 and be completed in March 2027.

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff recommends holding this item open to allow continued discussions in advance of the May Revision.

Questions. The subcommittee has requested DSH to respond to the following:

1. Please provide a brief overview of this proposal.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, May 9, 2024
9:30 am, or upon adjournment of session
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

Issue 1: Office of Youth and Community Restoration – SYTF Data

Background: DJJ Closure and Realignment. The 2020-21 Budget Act included a plan to permanently close the Division of Juvenile Justice (DJJ) at the California Department of Corrections and Rehabilitation (CDCR). While most youth were already housed or supervised locally, prior to July 1, 2021, counties could choose to send youths who had committed violent, serious, or sex offenses to state facilities operated by DJJ. There were typically about 650 youth statewide in DJJ facilities. DJJ permanently closed on June 30, 2023, and the last youths were transferred to counties, completing the realignment of the juvenile justice system to the county level. The plans for DJJ closure and realignment are outlined in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020 and SB 92 (Committee on Budget and Fiscal Review), Chapter 18, Statutes of 2021.

As a result of realignment, counties are responsible for caring for youth with more serious needs and who have committed more serious offenses. The realignment plan outlined a process for counties to establish Secure Youth Treatment Facilities (SYTFs) for high-level offenders who would have previously been housed at DJJ. To assist counties with their increased responsibility, the state provides block grant funding to counties for each realigned youth, and one-time funding for planning and juvenile facility infrastructure needs. As of September 2023, there were 2,878 youth housed in juvenile facilities statewide.

OYCR. To support counties in this transition, the realignment plan included the creation of the OYCR to provide statewide assistance, coordination, and oversight. OYCR is under the Health and Human Services Agency (HHS) rather than under CDCR or the Board of State and Community Corrections (BSCC), reflecting the intended shift away from corrections and toward services and treatment. The mission of the Office, as defined in statute, is "[T]o promote trauma responsive, culturally informed services for youth involved in the juvenile justice system that support the youths' successful transition into adulthood and help them become responsible, thriving, and engaged members of their communities."

Mandates of the OYCR include:

- Identify policy recommendations for improved outcomes for court-involved youth.
- Identify and disseminate best practices to inform rehabilitative and restorative youth practices.
- Provide technical assistance to develop and expand local youth diversion opportunities.
- Evaluate the efficacy of local programs being utilized for realigned youth and report to the Governor and Legislature by July 1, 2025.
- Develop a report on youth outcomes in the juvenile justice system based on the updated JCPSS (Department of Justice) System.
- Provide an ombudsperson to investigate complaints and resolve where possible and report regularly to the Legislature.

- Concur with the BSCC on any juvenile grants.
- Assume administration of juvenile grants no later than January 1, 2025.
- Concur with the BSCC on new standards for secure youth treatment facilities.

Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.

OYCR Funding. The 2021 Budget Act included $27.6 million in 2021-22 and $7 million ongoing for OYCR. The 2021-22 funding included $20 million for technical assistance, disseminating best practices, and grants. The 2022 Budget Act included an additional $10 million ongoing for the Office, and language detailing the duties and responsibilities of the Ombudsperson within OYCR. The 2023 Budget Act continued the $10 million appropriation for OYCR for technical assistance, disseminating best practices, and issuing grants to counties and probation departments for the purposes of transforming the juvenile justice system to improve outcomes for justice involved youth.

Juvenile Justice Data Collection. The 2023 Budget Act included $3.54 million to facilitate the collection of specific juvenile justice data related to realignment. These 2023 Budget Act made these funds available to county probation departments to provide OYCR with the following data for the 2021-22, 2022-23, and 2023-24 fiscal years, disaggregated by gender, age, and race or ethnicity:

1. Number of youth and their commitment offense or offenses, if known, who are under the county's supervision that are committed to a secure youth treatment facility, including youth committed to secure youth treatment facilities in another county.

2. The number of individual youth in the county who were adjudicated for an offense under subdivision (b) of Section 707 of the Welfare and Institutions Code or Section 290.008 of the Penal Code.

3. Number of youth, including their commitment offense or offenses, if known, transferred from a secure youth treatment facility to a less restrictive placement.

4. Number of youth for whom a hearing to transfer jurisdiction to an adult criminal court was held, and number of youth whose jurisdiction was transferred to adult criminal court.

The 2023 Budget Act requires the data listed above to be submitted to OYCR by December 30, 2023 for the 2021-22 and 2022-23 fiscal years, and by December 30, 2024 for the 2023-24 fiscal year. A summary of the statewide data was presented to the Subcommittee on February 29, 2024. The full report is now available on OYCR's website.[1]

[1] OYCR, AB 102 Report: https://oycr.ca.gov/wp-content/uploads/sites/346/2024/05/OYCR_-AB-102-Report_5.1.24.pdf

Key OYCR Findings from the AB 102 Report. The full report is available on OYCR's website. Some key findings include:

- Black and Brown youth continue to be overrepresented in the juvenile justice system.
- OYCR did not find evidence of statewide "net widening" (growth of the number of youth in STYFs compared to historical DJJ levels), however they did find significant net widening in San Bernardino County. In addition, OYCR notes five counties to continue monitoring due to increases in the SYTF population compared to DJJ commitments in 2021: Alameda, Contra Costa, Fresno, Kern, and Riverside.
- The use of less restrictive placements, or LRPs, is increasing.
- Counties are using SYTFs to house youth who have committed serious crimes, as intended by realignment.

The following is an overview of the AB 102 data provided by OYCR:

OYCR

AB 102 Data Overview

	FY 2021-2022	FY 2022-2023
A. Number of youth committed to SYTF	237	427
B1. Number of youth adjudicated of a 707(b) offense	1,459	1,730
B2. Number of youth adjudicated of a PC 290.008 offense (not counted in B1)	98	74
C. Number of youth transferred from SYTF to LRP	*	100
D1. Number of youth for whom a transfer hearing was ordered	213	244
D2a. Number of youth transferred to adult criminal court	48	35
D2b. Number of youth NOT transferred to adult criminal court	82	112

Note: The data displayed reflect a statewide count.
Note: For FY 21-22, nine counties had no youth to report. (n=49)
For FY 22-23, eight counties had no youth to report. (n=50)
* Data not displayed for privacy – less than 12 youth

Subcommittee Staff Comment and Recommendation—Hold Open. Subcommittee staff notes that the 2023 Budget Act requires data to be reported for the 2021-22, 2022-23, and 2023-24 fiscal year. Additional budget bill language or statutory authority would be needed in order to ensure this data is reported for 2024-25 and future years.

Questions. The subcommittee requests OYCR respond to the following:

1. Please present an overview of the county-specific juvenile justice data counties were required to submit to OYCR pursuant to the 2023 Budget Act.

2. What do these data tell us about how realignment is implementing across the state? In what areas does the data show progress in meeting the goals of realignment and in what areas does the data indicate cause for concern? Are there particular counties in which the data shows notable progress or problems?

3. How will this data inform OYCR's work moving forward, including the development of grants and policy recommendations?

4. What would be the effect of not having this data reported regularly from year to year? What could be improved or expanded for future data collection purposes in order for OYCR to carry out its mission?

Issue 2: Update on Transfer of Juvenile Justice Programs to the Office of Youth and Community Restoration

Budget Change Proposal and Trailer Bill Language – Governor's Budget. The Board of State and Community Corrections (BSCC) requests to shift the federal Title II Grant Program administration functions to the Office of Youth and Community Restoration (OYCR) effective July 1, 2024. Specifically, this proposal transfers the administration of the Title II Grant Program under the federal Juvenile Justice and Delinquency Prevention Act (JJDPA). The transfer of grant administering authority includes the move of related spending authority and grant administration functions, including support for the State Advisory Committee on Juvenile Justice and Delinquency Prevention, and compliance monitoring functions under the JJDPA. This is a transfer of spending authority that has no impact on the General Fund.

Background. Welfare and Institutions Code 2200 requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025. This is a component of the juvenile justice realignment plan laid out in SB 823 (Committee on Budget and Fiscal Review), Chapter 337, Statutes of 2020.

Title II Grant Program and Juvenile Justice and Delinquency Prevention Act (JJDPA). The Title II Grant Program is a federal juvenile justice grant program that is administered by the BSCC. As the designated state agency, BSCC is required to carry out all grant administration functions, such as conducting an annual review, revision, and approval of a comprehensive state plan for the improvement of juvenile justice and delinquency prevention activities, establishing priorities for the use of JJDPA funds, and approving expenditures of such funds. The federal Reauthorization of JJDPA in 2018 (34 U.S.C. §§ 11101 et seq.) requires a supervisory board (currently the BSCC) as well as an "advisory group" that "shall consist of not less than 15 and not more than 33 members appointed by the chief executive officer of the State" and requires the membership to reflect specific kinds of representatives and experiences. (34 U.S.C. § 11133(a)(3).) In California, the state advisory group is known as the State Advisory Committee on Juvenile Justice and Delinquency Prevention (SACJJDP). The SACJJDP is currently housed in, and administratively supported by, the BSCC.

Under the JJDPA, SACJJDP must perform certain activities, such as participating in the development and review of the state's juvenile justice plan, provide review and comment on the state's Title II Grant application, and review progress and accomplishments funded under the state's plan for the Title II Grant. (34 U.S.C. § 11133(a)(3)(B-E).) To support the SACJJDP in carrying out its required activities, the JJDPA allows the designated state agency to set aside no more than 5 percent of the annual Title II Grant allocation.

The JJDPA also establishes federal minimum standards for the protection and care of youth who have contact with juvenile justice systems. These standards are more commonly known as "the core requirements," which prohibit certain minors from being detained or confined, prohibit sight or sound contact between minors and adults in detention, and prohibit minors from being in detention in a law enforcement facility for more than six hours. (34 U.S.C. § 11133(a)(3)(11)(A) – (13)(B)).) The BSCC monitors secure facilities for compliance with these core requirements through data collection and verification efforts, and compliance monitoring inspections. (Welfare & Institutions Code § 209(f).) The

federal Title II Grant Program generally provides $12 million in grant funding, largely to community-based organizations, over three-year cycles (approximately $4 million per year).

As part of this proposal, OYCR will assume administration of the Title II Grant Program as well as the connected responsibilities for compliance monitoring associated with the JJDPA. This includes position authority for four full-time staff dedicated to the Title II Grant Program: one field representative and three Associate Governmental Program Analysts. These positions will be eliminated from BSCC and transferred to OYCR as part of this transition.

Juvenile Justice Funding. This Budget Change Proposal only addresses the federal Title II Grant Program, which is one of several juvenile justice grant programs. Pursuant to Welfare and Institutions Code 2200, "all juvenile justice grant administration functions in the Board of State and Community Corrections shall be moved to [OYCR] no later than January 1, 2025."

The chart below, provided by the Legislative Analyst's Office, shows statewide funding for various juvenile justice grant programs:

Major Sources of County Juvenile Justice Funding Provided Through the State

(In Millions)

Program	2023-24 Estimated Funding	2024-25 Proposed Funding
Funding to Support Realigned Workload	**$453**	**$490**
Youthful Offender Block Grant	244	251
Juvenile Justice Realignment Block Grant	195	225
Juvenile Reentry Grant	14	15
Funding for Other Workload	**$537**	**$553**
Juvenile Probation Activities	283	291
Juvenile Justice Crime Prevention Act	199	205
Juvenile Probation Camp Funding	55	56
Totals	**$990**	**$1,043**

The Youthful Offender Block Grant supports county responsibilities realigned in 2007, and the Juvenile Justice Reentry Grant supports responsibilities realigned in 2010. The Juvenile Justice Realignment Block Grant (JJRBG) provides funding for the 2021 realignment of youth who would have formerly been committed to the Division of Juvenile Justice (DJJ). The JJRBG is currently based on a temporary formula. Current law requires the Governor and the Legislature to work with stakeholders to establish a permanent

allocation formula in 2024; the Governor's Budget proposes extending the temporary formula for one year and developing a permanent formula in 2025 instead.

In addition to the grants stemming from various realignments, the state funds counties for juvenile-justice related workload through the Juvenile Probation Activities grant, the Juvenile Justice Crime Prevention Act, and the Juvenile Probation Camp Funding grant. Overall, the state provides approximately $1 billion to counties in 2024-25 for juvenile justice programs.

Trailer Bill Language: Transfer of Title II Grant Program – Governor's Budget. This proposal also includes trailer bill language that establishes OYCR as the designated state agency under the JJDPA and authorizes OYCR to carry out all grant administration functions pursuant to the JJDPA. The trailer bill language also repeals code sections related to an inactive advisory group on runaway and homeless youth (Welfare and Institutions Code Sections 1785, 1786, 13704, and 13812).

Trailer Bill Language: Delay of JJRBG Formula – Governor's Budget. Additionally, the Governor proposes trailer bill language to delay the development of a new distribution methodology for the JJRBG from January 2024 to January 2025.

Subcommittee Staff Comment and Recommendation – Hold Open. This issue was previously heard in this Subcommittee on February 29, 2024.

Subcommittee staff notes that this Budget Change Proposal lacks clarity regarding full implementation of Welfare and Institutions Code 2200, which requires all juvenile justice programs to move from BSCC to OYCR by January 1, 2025. This proposal only transfers the relevant position authority for one federal program, the Title II Grant Program, which funds about $4 million in juvenile-justice related programming per year, a fraction of the approximately $1 billion in overall funding the state provides to counties to administer juvenile justice programs.

The Administration has indicated that JJRBG is with OYCR per statute, and there is not currently position authority at BSCC that needs to transfer to OYCR. OYCR is already tasked with reviewing county realignment plans connected to the JJRBG.

However, the other juvenile justice programs mentioned above (Youthful Offender Block Grant, Juvenile Reentry Grant, Juvenile Probation Activities Grant, Juvenile Justice Crime Prevention Act, and Juvenile Probation Camp Funding grant) are not included in this proposal.

This Subcommittee initially heard this issue on February 29, 2024. At that time, the Department of Finance did not provide an answer on why the bulk of juvenile justice grant programs are absent from this proposal and what issues exist that would prevent full fidelity to the statute.

Questions. The Subcommittee requests the Department of Finance respond to the following:

1. Welfare and Institutions Code 2200 requires all juvenile justice grant administration functions to move under OYCR by January 1, 2025. Please explain why this proposal speaks only to the federal Title II Grant Program and not the totality of juvenile justice grant administration functions that are required by law to move to OYCR.

2. How does the Administration plan to fulfill the state's obligation to focus juvenile justice programs under OYCR?

3. Given the Governor's budget includes trailer bill language and a budget change proposal to transfer only the Title II grant, what is the Department of Finance's comprehensive plan to address the remaining juvenile justice grants currently administered by BSCC?

Issue 3: Child Welfare Services – California Automated Response and Engagement System Update

Budget Change Proposal – Governor's Budget. The Office of Technology and Solutions Integration (OTSI) requests $173.4 million ($88.1 million General Fund, $84.3 million federal funds, and $988,000 reimbursements) for 2024-25, along with five new, permanent OTSI positions. Additionally, OTSI requests provisional language to increase project expenditure authority up to an additional $52 million ($26 million General Fund). The requested funding and positions provide the resources to continue the design, development, and implementation activities for the Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) and CARES-Live. This funding is consistent with project costs that were approved in the 2023 Budget Act in accordance with Special Project Report (SPR) 6.

Background on CWS-CARES. CWS-CARES is a statewide case management and data solution for child welfare services to replace the state's current system, known as CWS/CMS. The replacement of the current CWS/CMS system is needed to meet federal requirements. According to OTSI, CWS-CARES will:

- Allow key members of the Child and Family Team (CFT) to have direct access to enter information or access shared information to support case plan and service delivery.
- Allow children and their families to be at the center of decision making by providing families with direct access to help them have access to key information and communicate with their worker.
- Provide timelier service delivery and enable social workers to spend less time doing data entry and more time working directly with families.
- Increase process and system efficiency, resiliency, quality, and maintainability across the state.
- Track cost at the individual level (a step towards tracking dollars to outcomes by person and by program).
- Support achievement of the Comprehensive Child Welfare Information System (CCWIS) certification requirements to maintain federal financial participation (FFP) funding and avoid large state repayments and federal non-compliance penalties.

According to OTSI, funding to continue the CWS-CARES project is necessary to improve the quality and overall effectiveness of statewide child welfare delivery while also meeting the federal CCWIS regulations that secure retention of federal funding. The existing CWS/CMS system was initially implemented in 1997 and is not compliant with the CCWIS federal and state laws, regulations, or policies, which has resulted in the following:

- The state is unable to collect 54 of the 205 total Adoption and Foster Care Analysis and Reporting System (AFCARS) fields, resulting in federal penalties assessed quarterly. In addition, CDSS committed to collection of an additional 85 data elements related to the Indian Child Welfare Act (ICWA) that are not able to be collected in CWS/CMS.

- Counties have had to invest resources and local funding into systems and workarounds to track data to help them in managing their programs rather than into staffing or direct services. Often data in these systems are not accessible for state and federal reporting, resulting in a lack of complete and accurate data statewide.

- Counties and tribes are unable to quickly implement new changes to the system. Implementation of prevention services under the federal Family First Prevention Services Act (FFPSA) are dependent on having a consistent statewide data collection system to allow for state and federal reporting required to draw down FFP.

- End-users have adopted time-intensive manual processes and created external systems to bridge gaps in the CWS/CMS functionality, impacting the ability to efficiently provide consistently high-quality services across the state.

This project will deliver the core CWS-CARES solution through two versions: CWS-CARES Version 1 (V1) and CWS-CARES Version 2 (V2). The CWS-CARES V2 extends the functionality of the CWS-CARES V1 with data-intensive features supporting CCWIS compliance and continuation of interfaces, external systems, and Child Welfare Contributing Agencies, thus making it a more efficient and effective system for users.

In 2019, CDSS and OTSI delivered several feature sets using the custom development approach, including the Child Welfare History Snapshot, Facility Search, and Child and Adolescence Needs and Strengths Assessment (CANS). These three feature sets in production today are referred to as maintenance and operations "CARES-Live."

On May 27, 2021, the project selected Resource Family Approval (RFA) Application Submission, Review, and Approval process as the greenfield demonstration module for the CWS-CARES. The development and functional testing of planned feature sets was completed on December 31, 2021, and the RFA Application process went live on January 31, 2022, with Fresno County being the first of five counties to receive the RFA rollout. The remaining counties went live on February 22, 2022.

The project submitted SPR 6, which was approved in May 2023. SPR 6 describes the CWS-CARES project status and updated plan for the CWS-CARES Design, Development & Implementation (DD&I) activities. Since then, the project has completed two additional product milestones with functionality related to Investigations Engagement and Determination. Additionally, several new milestones have started including Prevention Services, Case Closures, Warrants, Court Hearing Framework, Other Hearings, and Eligibility Programs.

Resource and Staffing Request. This request is for funding for state, county, and vendor resources; hardware/software; and core constituent participation to continue the DD&I of the CWS-CARES project to replace the existing legacy system. This request for continued funding is consistent with SPR 6 and the work to be completed in 2024-25. The chart below summarizes total project funding proposed for 2024-25. Note that this includes General Fund and federal funds, as well as provisional authority included in the 2024-25 budget request. The $225.4 million total includes the requested $52 million in provisional authority. Of the total requested funding including provisional authority, $114.1 million is General Fund.

Attachment 2 – Project Budget Detail

2024-25 Budget Change Proposal - CWS-CARES

Project Budget Detail

Budget Category	2024-25 Proposed CWS-CARES Costs	2024-25 Proposed CARES-Live Costs	2024-25 Total Proposed Costs
CWS-CARES Project			
OTSI Personal Services	**14,332,163**	**2,778,782**	**17,110,945**
Hardware/Software	**14,510,388**	**889,301**	**15,399,689**
Contract Services	**133,673,178**	**3,766,645**	**137,439,824**
CARES Development Services	120,045,707	0	120,045,707
CARES-Live Services	0	3,226,203	3,226,203
Project Management Services	4,741,511	91,283	4,832,794
County Consultant Services	8,885,960	449,159	9,335,119
OE&E	**14,179,759**	**7,141,365**	**21,321,124**
OSI Other OE&E (Gen Exp., Travel, and Facilities)	2,882,355	514,070	3,396,425
DGS Fees	1,830,798	376,607	2,207,405
Enterprise Services	6,117,578	1,258,426	7,376,004
Data Center Services	3,349,028	4,992,262	8,341,290
Total OTSI Spending Authority	**176,695,488**	**14,576,093**	**191,271,582**
CWS-CARES Project			
CDSS Personal Services	1,520,000	0	1,520,000
CDSS Other OE&E (Gen Exp., Travel, and Facilities)	462,000	0	462,000
Core Constituent Participation	30,822,770	0	30,822,770
IPOC Contract Services	800,000	0	800,000
County Regional Training Academy	306,251	0	306,251
Tribal Consultant	181,000	0	181,000
**Tribal Participation (Non-Add Line)*	*100,000*	0	100,000
Total CDSS Local Assistance	**34,092,021**	**0**	**34,092,021**
Total Project Budget	***210,787,509***	***14,576,093***	***225,363,603***

* Tribal Participation Costs to be submitted as a separate Premise item and are only reflected in this view for display purposes.

** Of the amounts reflected in the table above, $52,070,000 ($26,035,000 General Fund) is held provisionally.

The five requested positions included in this proposal would add to the 81 existing positions currently at OTSI to support the project. A summary of the requested positions is below:

OTSI Requested Positions Summary

Proposed Resources	Additional Resources for FY 2024-25	Classification
Content Strategist	1 position	Information Tech. Specialist I (ITS I)
Research & Design Lead*	1 position	Information Tech. Specialist II (ITS II)
CDI Data Analytics Specialist	1 position	Information Tech. Specialist I (ITS I)
CDI Data Analytics Lead	1 position	Information Tech. Specialist II (ITS II)
Information Security Analyst	1 position	Information Tech. Specialist II (ITS II)
Total	**5 positions**	

*This position was previously requested in SPR 6; however, the position title and project unit have since been reclassified.

2023 Budget Act – CWS-CARES. The 2023 Budget Act included $130.2 million ($66.6 million General Fund) for 2023- 24 for state operations to continue the DD&I activities of the CWS-CARES project. Budget bill language includes authority to access an additional $70.1 million ($35 million General Fund) should project activities accelerate. Additionally, budget bill language makes expenditure of these funds contingent upon verification of satisfactory progress, as defined, by the Department of Finance, in consultation with the Department of Technology. Budget bill language further requires CDSS to convene monthly meetings with the LAO, legislative staff, the Department of Technology, the Department of Finance, and other relevant parties to review project status reports; provide stakeholders, counties, and the Legislature with monthly project status reports; and schedule an annual progress demonstration. Trailer bill language increases legislative oversight of the project and specifies project objectives.

Total Project Funding. The total project costs through 2028, provided by OTSI, are summarized below.

Cost Category	CARES	CARES-Live
Project Costs (One-Time and Continuing)		
Staff (Salaries & Benefits)	$111,625,168	$20,707,213
Consulting & Prof. Services: Interdepartmental	$16,684,205	$3,121,222
Consulting & Prof. Services: External	$969,938,348	$85,876,580
Consolidated Data Centers	$25,561,033	$4,883,746
Information Technology	$179,485,291	$3,375,931
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other; Unclassified/Special Adjustment; Local Assistance)	$227,183,327	$21,217,358

Cost Category	CARES	CARES-Live
Total Project Costs (One-Time and Continuing):	**$1,530,477,372**	**$139,182,050**
Future Ops. IT Staff & OE&E Costs (Maintenance & Operations)		
Staff (Salaries & Benefits)	$32,219,160	$20,141,187
Consulting & Prof. Services: Interdepartmental	$2,575,306	$1,976,783
Consulting & Prof. Services: External	$82,109,226	$36,366,000
Consolidated Data Centers	$9,878,543	$29,161,674
Information Technology	$39,833,683	$5,232,437
Misc. OE&E Rollup (Departmental Services; Central Administrative Services; Office Equipment; Other; Unclassified/Special Adjustment; Local Assistance)	$13,918,154	$18,932,029
Total Future Ops. IT Staff & OE&E (Maintenance & Operations):	**$180,534,071**	**$111,810,111**
	Total CARES Costs	**TOTAL CARES-Live Costs**
	$1,711,011,443	**$250,992,161**
	TOTAL PROJECT COSTS	
	$1,962,003,604	

Subcommittee Staff Comment and Recommendation – Hold Open. This Subcommittee previously heard this issue on April 25, 2024.

As of the March 2024 report to the Legislature, approximately $54 million of the $186.3 million in total spending authority from the 2023 Budget Act appropriation for CWS-CARES had been spent. OTSI reports that this low number is due to extended invoicing and claiming timelines and that they expect to use the full budget appropriation in 2023-24. Throughout 2024, including at the April 25th Subcommittee hearing, the Legislature and LAO have requested monthly spending projections for the remainder of the current fiscal year. Without this type of information, it is unclear how OTSI will spend down the remaining approximately $132 million in 2023-24.

Questions. The Subcommittee requests OTSI respond to the following:

1. How much does OTSI project to spend on CWS-CARES in May 2024 and June 2024, including costs to pay invoices for work completed earlier in the fiscal year?

2. What is the basis for OTSI to determine that the 2023 Budget Act appropriation will be fully utilized? Will OTSI share spending plans or projections with the Legislature in order to demonstrate how the full appropriation will be spent?

Issue 4: Proposals for Investment

Stakeholder Proposals for Investment. The Subcommittee has received the following proposals for investment related to health and human services.

Presentation Item:

1. **Permanently Authorize the Emergency Food Bank Reserve.** The California Association of Food Banks (CAFB) requests $1 million in 2024-25, 2025-26, and 2026-27 to fund and permanently authorize the Emergency Food Bank Reserve. According to CAFB, "in October of 2019 the California Department of Social Services (CDSS) requested to use $1 million from the State's General Fund to purchase and deliver food to food banks in [communities affected by natural disasters], as well as provide reimbursement for some food bank expenses related to emergency response. This effort was called the 'State Disaster Food Assistance Program' (SDFAP) and the 'Emergency Food Bank Reserve' was created as the account to fund the program with ongoing replenishment authority. Immediate action is needed to continue the success of the State Emergency Food Bank Reserve. Although replenishment language for the Emergency Food Bank Reserve account has been included in the State budget since 2020, CDSS currently lacks the legal authority to access this account. As of today, the Department has run out of food boxes, and is unable to execute a contract with a vendor to procure and distribute more food during an emergency due to the lack of statutory authority to access the Emergency Food Bank Reserve account. $3 million one-time would sustain the program for three years, consistent with funding and distribution levels since the inception of the program in 2019. To help ensure the smooth operation, avoid the delays seen in 2023, and streamline administration of the program we are asking to place it in the Welfare & Institutions Code where the state's other emergency food programs reside."

Non-Presentation Items:

2. **Diaper Bank Funding.** The California Association of Diaper Banks requests $10 million in 2024-25 to continue operations and provide free diapers to families in need. According to the California Association of Diaper Banks, "the state began providing limited-term funding for diaper banks five years ago. The last round of funding included $30 million one-time over three years in the 2021-22 budget ($10 million per year), which expires June 30, 2024. Each site currently receives $1.25 million annually for diapers. Previous state funding has allowed Diaper Banks to distribute 160 million diapers to over 1 million families with 1.6 million infants. However, without an extension of funding in this year's budget, free diaper distributions will cease to exist in California… This proposal would make free diapers available in 39 counties representing 83 percent of residents in California. Diaper Banks have established the operational structure and have become the community resource for free diapers. If state funding expires and this structure collapses, it will take years to rebuild if/when future funding is made available."

3. **Critical Access Hospital Medi-Cal Reimbursement.** The California Hospital Association (CHA) requests annual expenditure authority of $112.5 million ($50 million General Fund and

$62.5 million federal funds) and trailer bill language to support the creation of a cost-based Medi-Cal reimbursement for critical access hospitals (CAHs). According to CHA, California's 37 CAHs, serving communities located at least 35 miles from another medical facility, and which are included among rural hospitals, have seen their operating margins drop by a frightening 8 percentage points from 2019 to 2023. They are losing money every day to deliver care and maintain access. Two-thirds of CAHs are operating in the red and their scant reserves are dwindling and at risk. Under this proposal, DHCS would work with CAHs to evaluate their current cost reports and develop a reimbursement methodology that would provide payment to meet costs for inpatient, outpatient and skilled nursing facility services provided to Medi-Cal patients.

4. **Extension of Bridge Loan Repayment for Non-Designated Public Hospitals.** The District Hospital Leadership Forum (DHLF) requests budget bill language to extend the repayment term of CHFFA bridge loans to non-designated public hospitals to match the terms of the Distressed Hospital Loan Program, providing these hospitals an additional four years to repay the loans. According to DHLF, during the pandemic district and municipal hospitals were struggling with staffing shortages, supply shortages, and increased expenses. DHCS also transitioned its Medi-Cal managed care program from a fiscal year to a calendar year basis, impacting the timing of Medi-Cal supplemental programs, delaying over $100 million of payments annually. DHLF worked with the Legislature on two $40 million loan programs in 2021 and 2022 offered by CHFFA to bridge some of the cash flow gap for those hospitals most in need. These interest free loans had a two-year repayment term as it was expected that hospitals would exit the pandemic and return to a better fiscal situation. Hospitals and health care providers in general, are still facing staffing and supply shortages and had to contend with extremely high levels of inflation which has further weakened their finances.

   In 2023 the legislature passed the Distressed Hospital Loan Program (DHLP) which has approved loans to a number of hospitals (over half the awardees and funds are to district hospitals). The DHLP loans are interest free and contain a six-year repayment schedule. While a number of district and municipal hospitals are receiving DHLP loans, these funds were approved by HCAI and CHFFA to assist the hospitals with their turnaround plans so that the hospitals facing closure could survive longer term. These loans were not envisioned to be used to repay other loans. Under this proposal, CHFFA would extend the terms of the bridge loans to non-designated public hospitals to provide an additional four years to repay the loans.

PUBLIC COMMENT

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, May 16th, 2024
Upon call of the Chair
1021 O Street – Room 1200

Consultants: Scott Ogus

PART A - HEALTH

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for CalHHS in 2024-25:

- $292.7 million General Fund, an increase of $21.1 million or 7.8 percent, compared to the January budget.
- $2.4 million special funds, unchanged compared to the January budget.
- 562 positions, an increase of six or 1.1 percent, compared to the January budget.

New General Fund Budget Solution at May Revision. CalHHS proposes the following General Fund budget solution at May Revision:

- *Health and Human Services Innovation Accelerator.* CalHHS proposes to revert General Fund expenditure authority of $1 million in 2023-24, $42 million in 2025-26, and $32 million in 2026-27 for the Health and Human Services Innovation Accelerator, approved in the 2023 Budget Act. These resources were proposed for delay until 2026-27 and 2027-28 in the January budget and this delay was approved during early action as part of AB 106 (Gabriel), Chapter 9, Statutes of 2024.

Other Adjustments and Trailer Bill Language Proposals at May Revision. CalHHS proposes the following other adjustments and trailer bill language at the May Revision:

- *Office of Employment First.* CalHHS requests transfer of annual General Fund expenditure authority of $1 million to the Department of Rehabilitation (DOR), beginning in 2024-25, to reflect the shift of the Office of Employment First from CalHHS to DOR.

- *Preschool Development Grant Award Authority Adjustment.* CalHHS requests federal fund expenditure authority of $1.3 million in 2024-25 and proposes provisional budget bill language to reflect increased resources for the Preschool Development Grant.

- *ePOLST Registry Reappropriation.* CalHHS requests expenditure authority from the CalHHS Automation Fund of $6.3 million in 2024-25 to support planning and implementation for the Electronic Physician Orders for Life Sustaining Treatment (ePOLST) Registry.

- *Central Registry Replacement and California EMS Information System Reprocurement Reappropriation.* CalHHS requests six positions and expenditure authority of $2.1 million in 2024-25 to support planning and implementation of the California EMS Central Registry Replacement Project and reprocurement for the California EMS Information System (CEMSIS).

- *Office of Planning and Research Reorganization – California Initiative to Advance Precision Medicine.* CalHHS requests transfer of General Fund expenditure authority of $31.5 million from the Office of Planning and Research (OPR) in 2024-25 to reflect the shift of the California Initiative to Advance Precision Medicine from OPR to CalHHS.

- *Transfer of Juvenile Justice Programs from the Board of State and Community Corrections to the Office of Youth and Community Restoration.* CalHHS requests reduction of General Fund expenditure authority of $9.4 million in 2024-25 to reflect updates to juvenile justice grant funds to counties. The Administration also requests statutory changes to transfer administration of 2011 juvenile realignment grants from the Board of State and Community Corrections (BSCC) to the Office of Youth and Community Restoration (OYCR). Taken with the 2024-25 Governor's Budget proposal, this will effectuate the transfer of the administration of juvenile grants from BSCC to OYCR.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CalHHS respond to the following:

1. Please provide a brief overview of the major adjustments to the CalHHS budget included in the May Revision.

0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for CHFFA in 2024-25:

- $144 million special funds, unchanged compared to the January budget.
- $246.5 million bond funds, unchanged compared to the January budget.
- 26.5 positions, unchanged compared to the January budget.

New General Fund Budget Solution at May Revision. CHFFA proposes the following General Fund budget solution at May Revision:

- *Specialty Dental Clinic Program.* CHFFA requests reduction of General Fund expenditure authority of $48.8 million in 2025-26 to support the Specialty Dental Clinic Program, eliminating the program. These resources were originally proposed for delay from 2023-24 and 2024-25 until 2025-26 in the January budget.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CHFFA respond to the following:

1. Please provide a brief overview of the major adjustments to the CHFFA budget included in the May Revision.

4120 EMERGENCY MEDICAL SERVICES AUTHORITY

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for EMSA in 2024-25:

- $38 million General Fund, an increase of $6.7 million or 21.5 percent, compared to the January budget.
- $5.6 million special funds, unchanged compared to the January budget.
- 121 positions, an increase of 12 or 11 percent, compared to the January budget.

New General Fund Budget Solutions at May Revision. EMSA proposes the following General Fund budget solutions at May Revision:

- *California Emergency Medical Services Data Resource System Reversion.* EMSA requests reversion of General Fund expenditure authority of $2.3 million approved in the 2021 Budget Act for the California EMS Data Resource System.

Other Adjustments and Trailer Bill Language Proposals at May Revision. EMSA proposes the following other adjustments and trailer bill language proposed in the January budget:

- *ePOLST Registry.* EMSA requests three positions and reappropriation of General Fund expenditure authority of $6.6 million, originally approved in the 2021 Budget Act, to support the planning, development, and implementation of the Electronic Physician Orders for Life Sustaining Treatment (ePOLST) Registry. The reappropriation of these funds would extend their availability from June 30, 2024, until June 30, 2025.

- *Central Registry Replacement and California EMS Information System Reprocurement Reappropriation.* EMSA requests reappropriation of General Fund expenditure authority of up to $3 million, originally approved in the 2021 Budget Act, to support planning and implementation of the California EMS Central Registry Replacement Project, and reprocurement of the California EMS Information System (CEMSIS).

- *Increased Emergency Preparedness and Response Capability Resources Adjustment.* EMSA requests a reduction of annual General Fund expenditure authority of $5.5 million to correct and align resources for the Increased Emergency Preparedness and Response Capability Resources proposal approved in the 2021 Budget Act.

Implementation of Chaptered Legislation. EMSA proposes the following adjustments to reflect implementation of chaptered legislation:

- *Community Paramedicine or Triage to Alternate Destination Act (AB 767).* EMSA requests three positions and General Fund expenditure authority of $686,000 in 2024-25, $606,000 in 2025-26, and $432,000 annually thereafter to support implementation of AB 767 (Gipson), Chapter 270, Statutes of

2023, which extends and expands the scope of the Community Paramedicine or Triage to Alternate Destination Act.

- *Emergency Medical Services – Liability Limitation.* EMSA requests General Fund expenditure authority of $200,000 in 2024-25 to support implementation of AB 1376 (Juan Carrillo), Chapter 474, Statutes of 2023, which limits criminal or civil liability for private ambulance providers for detaining an individual at the request of a peace officer, facility staff, or other professionals.

- *Emergency Medical Transportation "No Surprises" Rate Reporting (AB 716).* EMSA requests two positions and General Fund expenditure authority of $521,000 in 2024-25 and $321,000 annually thereafter to develop and publish a report on the allowable maximum rates for ground ambulance transportation services in each county, pursuant to the requirements of AB 716 (Boerner), Chapter 454, Statutes of 2023.

- *Ambulance Patient Offload Time (AB 40).* EMSA requests four positions and General Fund expenditure authority of $1.2 million in 2024-25 and $696,000 annually thereafter to streamline patient transfers, reduce delays, and enhance coordination between EMS agencies and hospitals to decrease ambulance patient offload time, pursuant to the requirements of AB 40 (Rodriguez), Chapter 793, Statutes of 2023.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested EMSA respond to the following:

1. Please provide a brief overview of the major adjustments to the EMSA budget included in the May Revision.

4140 DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for HCAI in 2024-25:

- $70.5 million General Fund, a decrease of $302.7 million or 81.1 percent, compared to the January budget.
- $131.3 million special funds, an increase of $3.8 million or 2.95 percent, compared to the January budget.
- 760.2 positions, an increase of 12 or 1.6 percent, compared to the January budget.

New General Fund and Mental Health Services Fund Budget Solutions at May Revision. HCAI proposes the following General Fund budget solutions at May Revision:

- *Health Care Workforce Reductions – Community Health Workers.* HCAI requests reduction of General Fund expenditure authority of $188.9 million ($6.6 million state operations and $182.3 million local assistance) in 2024-25, and $57.5 million in 2025-26 that currently supports workforce development programs for community health workers.

- *Health Care Workforce Reductions – Nursing Initiative.* HCAI requests reduction of General Fund expenditure authority of $70 million ($2.7 million state operations and $67.3 million local assistance) in 2023-24, $70 million ($7 million state operations and $63 million local assistance) in 2024-25, and $70 million in 2025-26 that currently supports workforce development programs for nursing-related professionals. The January budget originally proposed delaying $70 million General Fund from 2023-24 until 2025-26.

- *Health Care Workforce Reductions – Social Work Initiative.* HCAI requests reduction of General Fund expenditure authority of $70.1 million ($3.5 million state operations and $66.6 million local assistance) and expenditure authority from the Mental Health Services Fund of $51.9 million in 2025-26 that currently supports workforce development initiatives to expand the number of social workers in California. The January budget originally proposed delaying these resources from 2023-24 until 2025-26.

- *Health Care Workforce Reductions – Addiction Psychiatry and Medicine Fellowships.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $48.5 million in 2025-26 that currently supports addiction psychiatry and addiction medicine fellowships.

- *Health Care Workforce Reductions – University and College Grants for Behavioral Health Professionals.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $52 million in 2025-26 that currently supports expansion of grants for behavioral health professionals. The January budget originally proposed delaying these resources from 2023-24 until 2025-26.

- *Health Care Workforce Reductions – Expansion of Masters in Social Work Slots.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $30 million in 2025-26 that currently supports expansion of slots for Masters in Social Work in California colleges and universities. The January budget originally proposed delaying these resources from 2023-24 until 2025-26.

- *Health Care Workforce Reductions – Psychiatry Local Behavioral Health Programs.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $7 million in 2025-26 that currently supports loan repayment programs for psychiatrists who agree to a term of service at a local behavioral health department. The January budget originally proposed delaying these resources from 2023-24 until 2025-26.

- *Health Care Workforce Reductions – California Medicine Scholars Program.* HCAI requests reduction of General Fund expenditure authority of $2.8 million in 2024-25, 2025-26, and 2026-27, that currently supports medical professional pipeline programs through the California Medicine Scholars Program.

- *Health Care Workforce Reductions – Health Professions Careers Opportunity Program.* HCAI requests reduction of annual General Fund expenditure authority of $16 million ($800,000 state operations and $15.2 million local assistance) that currently supports the Health Professions Careers Opportunity Program.

- *Health Care Workforce Reductions – Song-Brown Nursing.* HCAI requests reduction of General Fund expenditure authority of $15 million in 2024-25 that currently supports nurse training in the Song-Brown Healthcare Workforce Training Program.

- *Health Care Workforce Reductions – Song-Brown Residencies.* HCAI requests reduction of General Fund expenditure authority of $10 million in 2024-25 that currently supports residency programs in the Song-Brown Healthcare Workforce Training Program.

- *Health Care Workforce Reductions – Prior Year Healthcare Workforce.* HCAI requests reduction of General Fund expenditure authority of $231 million ($3.5 million state operations and $227.5 million local assistance) in 2023-24 to reflect unspent prior year funds and current year savings for health care workforce programs.

Other Adjustments at May Revision. HCAI proposes the following other adjustments at May Revision:

- *CalRx Technical Adjustment – Biosimilar Insulin Development.* HCAI requests General Fund expenditure authority of $5.2 million in 2023-24 to reflect a carryover amount in the CalRx Biosimilar Insulin program.

- *Transfer of Public Health Nurse Certification Fee Waiver to Board of Registered Nursing.* HCAI requests transfer of General Fund expenditure authority of $3.3 million in 2023-24 to the Board of Registered Nursing to reflect the transfer of public health nurse certification fee waiver programs.

- *Behavioral Health Transformation – Behavioral Health Services Act Workforce.* HCAI requests three positions and expenditure authority from the Mental Health Services Fund of $631,000 in 2024-25 to support the planning, implementation and oversight of the Behavioral Health Services Act Workforce Initiative, pursuant to the requirements of SB 326 (Eggman), Chapter 790, Statutes of 2023, and Proposition 1, approved by voters in March 2024.

Implementation of Chaptered Legislation. HCAI proposes the following adjustments to reflect implementation of chaptered legislation:

- *Primary Care Clinic Modernization (SB 779).* HCAI requests five positions and expenditure authority from the California Health Data and Planning Fund of $2.4 million in 2024-25, 13 positions and $2.9 million in 2025-26, and 15 positions and $3.1 million annually thereafter to support changes in clinic reporting requirements pursuant to SB 779 (Stern), Chapter 505, Statutes of 2023.

- *Hospital Supplier Diversity Reporting Program (AB 1392).* HCAI requests four positions and expenditure authority from the California Health Data and Planning Fund of $718,000 in 2024-25 and 2025-26, five positions and $1.9 million in 2026-27, and $1.7 million annually thereafter, to support implementation of required planning by hospitals for increasing the diversity of procured vendors, pursuant to the requirements of AB 1392 (Rodriguez), Chapter 840, Statutes of 2023.

General Fund Solutions Remaining from January Budget. HCAI maintains the following General Fund solution proposed in the January budget:

- *Health Care Workforce Reductions – Psychiatry Loan Repayment Program Reversion.* HCAI requests reversion of expenditure authority of $14 million ($7 million General Fund and $7 million Mental Health Services Fund), originally approved in the 2022 and 2023 Budget Acts, to support a psychiatry loan repayment program for psychiatrists who agree to a term of service at the Department of State Hospitals. This proposal was not adopted during early action taken by the Legislature to address the budget shortfall.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested HCAI respond to the following:

1. Please provide a brief overview of the major adjustments to the HCAI budget included in the May Revision.

4150 DEPARTMENT OF MANAGED HEALTH CARE

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for DMHC in 2024-25:

- $178.4 million special funds (Managed Care Fund), an increase of $15.4 million or 9.4 percent, compared to the January budget.
- 783 positions, an increase of 59 or 8.15 percent, compared to the January budget.

Other Adjustments at May Revision. DMHC proposes the following other adjustments at May Revision:

- *Information Technology Security and Workload.* DMHC requests nine positions and expenditure authority from the Managed Care Fund of $1.9 million in 2024-25 and $1.9 million annually thereafter, to allow DMHC to resolve information technology audit findings and comply with the Cal-Secure five-year plan to enhance cybersecurity maturity and effectively identify and manage risk to the state.

- *Executive and Management Support Positions.* DMHC requests seven positions and expenditure authority from the Managed Care Fund of $1.6 million in 2024-25 and $1.5 million annually thereafter to support high-level managerial and executive workload, and properly align staff allocation and reporting structures.

- *Help Center Program Workload.* DMHC requests 35 positions and expenditure authority from the Managed Care Fund of $6.4 million in 2025-26 and $6.1 million annually thereafter, to address increased workload in the department's Help Center.

- *Health Care Service Plans Discipline Civil Penalties (SB 858) – Technical Adjustment.* DMHC requests reappropriation of expenditure authority from the Managed Care Fund of $3.8 million, originally approved in the 2023 Budget Act, through June 30, 2025, to support contract procurement to implement discipline and civil penalty provisions of SB 858 (Wiener), Chapter 985, Statutes of 2022.

Implementation of Chaptered Legislation. DMHC proposes the following adjustments to reflect implementation of chaptered legislation:

- *Dental Benefits and Rate Review (AB 1048).* DMHC requests three positions and expenditure authority from the Managed Care Fund of $1.4 million in 2024-25 and $1.4 million annually thereafter to review annual health and dental plan filings, issue determinations on dental rates changes, adopt emergency regulations, and issue guidance to health plans, pursuant to the requirements of AB 1048 (Wicks), Chapter 557, Statutes of 2023.

- *Health Care Coverage – Doulas (AB 904).* DMHC requests two positions and expenditure authority from the Managed Care Fund of $449,000 in 2024-25, $436,000 in 2025-26, and $437,000 in 2026-

27, to collect and submit data to the Legislature describing doula coverage and programs, pursuant to the requirements of AB 904 (Calderon), Chapter 349, Statutes of 2023.

- *Biomarker Testing (SB 496).* DMHC requests three positions and expenditure authority from the Managed Care Fund of $799,000 in 2024-25, five positions and $1.2 million in 2025-26, $1.5 million in 2026-27, and $1.5 million annually thereafter to review utilization management and quality assurance documents, issue all-plan letters, provide legal guidance, address consumer complaints and conduct independent medical reviews for coverage of biomarker testing, pursuant to the requirements of SB 496 (Limón), Chapter 401, Statutes of 2023.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DMHC respond to the following:

1. Please provide a brief overview of the major adjustments to the DMHC budget included in the May Revision.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for DHCS in 2024-25:

- $32.3 billion General Fund, a decrease of $351.7 million or one percent, compared to the January budget.
- $99.4 billion federal funds, an increase of $939.7 million or one percent, compared to the January budget.
- $28.4 billion special funds and reimbursements, an increase of $2.4 billion or 9.2 percent, compared to the January budget.
- 4,688.5 positions, an increase of 39 or 0.8 percent, compared to the January budget.

New General Fund Budget Solutions at May Revision. DHCS proposes the following General Fund budget solutions at May Revision:

- *Managed Care Organization Tax Expansion for Medicare Revenue.* DHCS requests reduction of General Fund expenditure authority of $689.9 million in 2024-25, $950 million in 2025-26, and $1.3 billion in 2026-27 as a result of more comprehensively accounting for Medicare revenue in determining the maximum allowable aggregate tax on managed care organizations (MCOs). DHCS also proposes trailer bill language to implement this change.

- *Managed Care Organization Tax Targeted Rate Increases and Investments.* DHCS requests reduction of General Fund expenditure authority of $75 million in 2023-24, $879 million in 2024-25, $2.4 billion in 2025-26, and $3.4 billion in 2026-27 as a result of eliminating certain proposed targeted rate increases and investments related to the tax on managed care organizations (MCOs) in the January budget. Specifically, DHCS requests the following changes:

    - Elimination of 2025 Targeted Rate Increases – DHCS requests reduction in General Fund expenditure authority of $75 million in 2023-24 and $879 million in 2024-25, $2.4 billion in 2025-26, and $2.5 billion in 2026-27 as a result of additional General Fund savings from elimination of targeted rate increases and investments proposed in the January budget. These targeted rate increases and investments include: 1) Physician and non-physician health professional services, 2) Community and hospital outpatient procedures and services, 3) Abortion and family planning access, 4) Services and supports for federally qualified health centers (FQHCs) and rural health clinics (RHCs), 5) Emergency department services, 6) Designated public hospitals, 7) Ground emergency medical transportation, 8) Behavioral health throughput, 9) Graduate medical education, and 10) Medi-Cal workforce pool.

    - Maintains 2024 Targeted Rate Increases – DHCS maintains expenditure authority from the Medi-Cal Provider Payment Reserve Fund (MPPRF) of $121 million in 2023-24, $291 million in 2024-25, $305 million in 2025-26, and $321 million in 2026-27 to support targeted rate increases for

primary care, non-specialty mental health services, and obstetric care to bring rates to at least 87.5 percent of the rate paid by the Medicare program.

- *Children and Youth Behavioral Health Initiative (CYBHI) – Evidence-Based and Community-Defined Behavioral Health Program Grants.* DHCS requests reversion of General Fund expenditure authority of $47.1 million, originally approved in the 2022 Budget Act, that currently supports grants for evidence-based and community-defined evidence practices for behavioral health.

- *CYBHI – School-Linked Partnership and Capacity Grants for Higher Education.* DHCS requests reversion of General Fund expenditure authority of $150 million, originally approved in the 2021 and 2022 Budget Acts, that currently supports school-linked partnership and capacity grants to University of California, California State University, and community college campuses.

- *CYBHI – Behavioral Health Services and Supports Platform.* DHCS requests reduction of General Fund expenditure authority of $140 million in 2024-25 that currently supports the Behavioral Health Services and Supports Platform.

- *Behavioral Health Continuum Infrastructure Program and Behavioral Health Bridge Housing.* DHCS requests reversion of General Fund expenditure authority of $450.7 million, originally approved in the 2022 Budget Act, for the final round of the Behavioral Health Continuum Infrastructure Program (BHCIP). DHCS also requests reduction of General Fund expenditure authority of $132.5 million in 2024-25 and $207.5 million in 2025-26, and an increase in expenditure authority from the Mental Health Services Fund of $90 million in 2025-26, for the final rounds of grants for Behavioral Health Bridge Housing.

- *Proposition 56 General Fund Backfill.* DHCS requests reduction of General Fund expenditure authority of $145.4 million in 2024-25, and an offsetting transfer of $145.4 million of expenditure authority from the Managed Care Enrollment Fund to continue funding for provider rate increases and other investments supported by Proposition 56 tobacco tax revenue.

- *Equity and Practice Transformation Payments.* DHCS requests reduction of General Fund expenditure authority of $43.8 million in 2024-25, $67.5 million in 2025-26, and $168.8 million in 2026-27 that currently supports equity and practice transformation grants to Medi-Cal providers.

- *Naloxone Distribution Project and Medication Assisted Treatment Reduction.* DHCS requests reduction of annual General Fund expenditure authority of $60 million that currently supports the Naloxone Distribution Project and medication assisted treatment.

- *Elimination of Major Risk Medical Insurance Program.* DHCS requests reduction of General Fund expenditure authority of $78.9 million in 2024-25, $2.7 million in 2025-26, and $2.5 million annually thereafter to reflect elimination of the Major Risk Medical Insurance Program (MRMIP), which provides health care coverage for individuals unable to obtain coverage in the individual health insurance market because of pre-existing conditions. DHCS also requests increased expenditure authority from the Health Care Services Fines and Penalties Fund of $78.4 million in 2024-25, $2.2 million in 2025-26, and $2 million annually thereafter.

- *Freeze Medi-Cal County Administration.* DHCS requests reduction of General Fund expenditure authority of $20.4 million in 2024-25, $42 million in 2025-26, $65 million in 2026-27, and $88.8 million in 2027-28 that currently supports increases for county administration workers that determine eligibility for the Medi-Cal program.

- *Intergovernmental Transfer Fee for Enhanced Payment Program and Quality Incentive Pool.* DHCS requests reduction in General Fund expenditure authority of $37 million in 2024-25 and $74 million annually thereafter to reflect implementation of a fee on intergovernmental transfers that draw down additional federal funding for Medi-Cal in the Enhanced Payment Program and Quality Incentive Pool.

- *Quality Sanctions on Medi-Cal Managed Care Plans to Support Medi-Cal.* DHCS requests reduction in General Fund expenditure authority of $1 million in 2024-25 to reflect use of quality sanctions on Medi-Cal managed care plans to support the Medi-Cal program. DHCS also proposes trailer bill language to implement this change.

- *Optional Medi-Cal Benefit Elimination – Acupuncture.* DHCS requests reduction in General Fund expenditure authority of $5.4 million in 2024-25 and $13.1 million annually thereafter to reflect the elimination of adult acupuncture benefits in the Medi-Cal program.

- *Indian Health Grant Program Elimination.* DHCS requests reduction in annual General Fund expenditure authority of $23 million to eliminate the Indian Health Grant Program, which provides support for improving the health status of American Indians living in urban, rural, and reservation or Rancheria communities throughout California.

- *Health Enrollment Navigators.* DHCS requests reduction of General Fund expenditure authority of $26 million in 2024-25 that currently supports health enrollment navigators.

- *Free Clinics Augmentation.* DHCS requests reduction of annual General Fund expenditure authority of $2 million that currently supports free clinics.

Other Adjustments and Trailer Bill Language Proposals at May Revision. DHCS proposes the following other adjustments at May Revision:

- *Behavioral Health Federal Funds Adjustment.* DHCS requests federal fund expenditure authority of $96.7 million in 2024-25 to reflect additional mental health and substance use disorder grants awarded by the federal government in 2023-24.

- *Behavioral Health Transformation – County Behavioral Health Departments.* DHCS requests expenditure authority of $85 million ($50 million General Fund and $85 million federal funds) in 2024-25 to support counties' implementation of changes to behavioral health programs pursuant to the Behavioral Health Services Act.

- *Children's Hospital New Directed Payment.* DHCS requests annual expenditure authority of $230 million ($115 million MPPRF and $115 million federal funds) to support a new directed payment program for children's hospitals.

- *Naloxone Distribution Project Augmentation.* DHCS requests expenditure authority of $8.3 million from the Opioid Settlements Fund in 2023-24 to expand distribution of naloxone through the Naloxone Distribution Project.

- *CYBHI – Next Generation Parent Video Series and Digital Supports.* DHCS requests provisional budget bill language to provide contract and regulatory exemptions for the department to develop the next generation video series and digital supports for remote mental health assessment for children and youth.

- *MCO Tax General Fund Offset.* DHCS requests a technical adjustment to update transfer authority related to the MCO tax.

Implementation of Chaptered Legislation. DHCS proposes the following adjustments to reflect implementation of chaptered legislation:

- *Abortion Provider Protections (SB 487).* DHCS requests three positions and expenditure authority of $469,000 ($235,000 General Fund and $234,000 federal funds) in 2024-25 and $442,000 ($221,000 General Fund and $221,000 federal funds) annually thereafter to protect abortion providers from various sanctions, pursuant to SB 487 (Atkins), Chapter 261, Statutes of 2023.

- *Behavioral Health (SB 43).* DHCS requests six positions and expenditure authority of $1.1 million ($539,000 General Fund and $538,000 federal funds) in 2024-25 and $1 million ($512,000 General Fund and $511,000 federal funds) annually thereafter to support changes to conservatorship criteria under the Lanterman-Petris-Short Act pursuant to the requirements of SB 43 (Eggman), Chapter 637, Statutes of 2023.

- *Behavioral Health Transformation – Behavioral Health Services Act (SB 326).* DHCS requests one-time expenditure authority of $116.5 million ($16.9 million General Fund, $28.2 million Mental Health Services Fund, $31.6 million Opioid Settlements Fund, and $39.8 million federal funds) in 2024-25 to support implementation of the Behavioral Health Services Act, as reflected in SB 326 (Eggman), Chapter 790, Statutes of 2023, and Proposition 1, approved by voters in March 2024.

- *Behavioral Health Transformation – Behavioral Health Infrastructure Bond Act (AB 531).* DHCS requests three positions to support implementation of the Behavioral Health Infrastructure Bond Act, as reflected in AB 531 (Irwin), Chapter 789, Statutes of 2023, and Proposition 1, approved by voters in March 2024.

- *HOPE California – Secured Residential Treatment Pilot Program (AB 1360).* DHCS requests one position and General Fund expenditure authority of $153,000 in 2024-25 and $144,000 annually between 2025-26 and 2028-29 to support Hope California, a secured residential treatment pilot program in Sacramento and Yolo counties, authorized by AB 1360 (McCarty), Chapter 685, Statutes of 2023.

- *Local Educational Agencies Medi-Cal Billing Option Program (AB 483).* DHCS requests 19 positions and expenditure authority of $1.9 million ($957,000 reimbursements and $957,000 federal funds) in

2024-25 and $3.1 million ($1.5 million reimbursements and $1.5 million federal funds) annually thereafter to reform audit and settlements in the Local Educational Agencies Medi-Cal Billing Option Program (LEA-BOP), pursuant to the requirements of AB 483 (Muratsuchi), Chapter 527, Statutes of 2023.

- *Medicare Part A Buy-In (SB 311).* DHCS requests five positions and expenditure authority of $1 million ($509,000 General Fund and $509,000 federal funds) in 2024-25 to implement a Medicare Part A Buy-In for certain dually eligible Medi-Cal beneficiaries, pursuant to the requirements of SB 311 (Eggman), Chapter 707, Statutes of 2023. DHCS also requests reduction in expenditure authority in local assistance of $41.4 million ($1.3 million General Fund and $40.1 million federal funds) annually to reflect Medi-Cal savings related to the program.

- *Naloxone Distribution Project Tribal Governments Technical Assistance (AB 1233).* DHCS requests expenditure authority of $162,000 ($81,000 Opioid Settlement Fund and $81,000 federal funds) in 2024-25 and $153,000 ($77,000 Opioid Settlement Fund and $76,000 federal funds) in 2025-26 and 2026-27 to support technical assistance and outreach to tribal governments regarding the availability of naloxone through the Naloxone Distribution Project, pursuant to the requirements of AB 1233 (Waldron), Chapter 570, Statutes of 2023.

- *Robert F. Kennedy Farm Workers Medical Plan (AB 494).* DHCS requests General Fund expenditure authority of $141,000 annually from 2026-27 through 2030-31 to support the Robert F. Kennedy Farm Workers Medical Plan, pursuant to the requirements of AB 494 (Arambula), Chapter 333, Statutes of 2023.

- *Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act (AB 1163).* DHCS requests expenditure authority of $725,000 ($132,000 General Fund and $593,000 federal funds) in 2024-25 to support addition of intersexuality to voluntary self-identification information to be collected by state departments and entities, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023.

- *Biomarker Testing (SB 496).* DHCS requests annual expenditure authority of $25.2 million ($9.1 million General Fund and $16.1 million federal funds) to implement Medi-Cal coverage of biomarker testing, pursuant to the requirements of SB 496 (Limón), Chapter 401, Statutes of 2023.

- *Pharmacogenomic Testing (AB 425).* DHCS requests annual expenditure authority of $18 million ($6.5 million General Fund and $11.5 million federal funds) to implement Medi-Cal coverage of pharmacogenomics testing, pursuant to the requirements of AB 425 (Alvarez), Chapter 329, Statutes of 2023.

- *Mobile Optometric Office (SB 502).* DHCS requests expenditure authority of $293,000 ($102,000 Vision Services Fund and $191,000 federal funds) in 2024-25 and $275,000 ($96,000 Vision Services Fund and $179,000 federal funds) annually thereafter to cover vision services provided to low-income children through a mobile optometric office, pursuant to the requirements of SB 502 (Allen), Chapter 487, Statutes of 2023.

General Fund Budget Solutions Remaining from January Budget. DHCS continues to maintain the following General Fund budget solution proposed in the January budget:

- *Clinic Workforce Stabilization Payments.* DHCS requests to forego the transfer of General Fund expenditure authority of $14.9 million in 2024-25, originally scheduled to be transferred to HCAI for clinic workforce development programs, and instead utilize the funds to address the General Fund shortfall. This proposal was not adopted by the Legislature in its early action on the budget.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS respond to the following:

1. Please provide a brief overview of the major adjustments to the DHCS budget included in the May Revision.

Issue 2: May 2024 Medi-Cal Local Assistance Estimate

Local Assistance Estimate – May Revision. The May 2024 Medi-Cal Local Assistance Estimate includes $157.3 billion ($37.2 billion General Fund, $96.7 billion federal funds, and $23.5 billion special funds and reimbursements) for expenditures in 2023-24, and $159.1 billion ($35.6 billion General Fund, $98.4 billion federal funds, and $25.2 billion special funds and reimbursements) for expenditures in 2024-25.

Medi-Cal Local Assistance Funding Summary – May Revision			
Fiscal Year:	**2023-24 (CY)**	**2024-25 (BY)**	**CY to BY**
Benefits			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$35,903,196,000	$34,013,072,000	($1,890,124,000)
Federal Funds	$91,496,817,000	$92,820,735,000	$1,323,918,000
Special Funds/Reimbursements	$23,428,742,000	$25,116,286,000	$1,687,544,000
Total Expenditures	**$150,828,755,000**	**$151,950,093,000**	**$1,121,338,000**
County Administration			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$1,124,709,000	$1,428,266,000	$303,557,000
Federal Funds	$4,783,452,000	$5,166,605,000	$383,153,000
Special Funds and Reimbursements	$73,907,000	$71,427,000	($2,480,000)
Total Expenditures	**$5,982,068,000**	**$6,666,298,000**	**$684,230,000**
Fiscal Intermediary			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$152,840,000	$160,248,000	$7,408,000
Federal Funds	$380,334,000	$371,882,000	($8,452,000)
Special Funds and Reimbursements	$33,000	$11,000	($22,000)
Total Expenditures	**$533,207,000**	**$532,141,000**	**($1,066,000)**
TOTAL MEDI-CAL LOCAL ASSISTANCE EXPENDITURES			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$37,180,745,000	$35,601,586,000	($1,579,159,000)
Federal Funds	$96,660,603,000	$98,359,222,000	$1,698,619,000
Special Funds and Reimbursements	$23,502,682,000	$25,187,724,000	$1,685,042,000
Total Expenditures	**$157,344,030,000**	**$159,148,532,000**	**$1,804,502,000**

Caseload. In 2023-24, the May Revision assumes annual Medi-Cal caseload of 15.2 million, an increase of 408,800 or 2.8 percent compared to assumptions in the January budget. The department estimates 92

percent of Medi-Cal beneficiaries, or 14 million, will receive services through the managed care delivery system while 8 percent, or 1.2 million, will receive services through the fee-for-service delivery system.

In 2024-25, the May Revision assumes annual Medi-Cal caseload of 14.5 million, an increase of 746,800 or 5.4 percent compared to assumptions in the January budget, and a decrease of 664,400 or 4.4 percent compared to the revised caseload estimate for 2023-24. The department estimates 94.1 percent of Medi-Cal beneficiaries, or 13.6 million, will receive services through the managed care delivery system while 6 percent, or 863,128, will receive services through the fee-for-service delivery system.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant General Fund changes in the Medi-Cal program at May Revision for the 2023-24 and 2024-25 fiscal years.

Issue 3: May 2024 Family Health Local Assistance Estimate

Local Assistance Estimate – May Revision. The May 2024 Family Health Local Assistance Estimate includes $259.5 million ($227.7 million General Fund, $5.2 million federal funds, and $26.7 million special funds and reimbursements) for expenditures in 2023-24, and $276.4 million ($244.4 million General Fund, $5.5 million federal funds, and $26.4 million special funds and reimbursements) for expenditures in 2024-25.

Family Health Local Assistance Funding Summary – May Revision			
Fiscal Year:	**2023-24 (CY)**	**2024-25 (BY)**	**CY to BY**
California Children's Services (CCS)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$85,725,000	$89,673,000	$3,948,000
Special Funds/Reimbursements	$6,525,000	$6,505,000	($17,000)
County Funds [non-add]	[$89,841,000]	[$98,088,000]	[$8,247,000]
Total CCS Expenditures	**$92,250,000**	**$96,181,000**	**$3,931,000**
Genetically Handicapped Persons Program (GHPP)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$136,752,000	$150,129,000	$13,377,000
Special Funds and Reimbursements	$501,000	$529,000	$28,000
Total GHPP Expenditures	**$137,253,000**	**$150,658,000**	**$13,405,000**
Every Woman Counts Program (EWC)			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$5,181,000	$4,647,000	($534,000)
Federal Funds	$5,212,000	$5,518,000	$306,000
Special Funds and Reimbursements	$19,649,000	$19,3948,000	($255,000)
Total EWC Expenditures	**$30,042,000**	**$29,559,000**	**($483,000)**
TOTAL FAMILY HEALTH EXPENDITURES			
Fund Source	***Revised***	***Proposed***	***Change***
General Fund	$227,658,000	$244,449,000	$16,791,000
Federal Funds	$5,212,000	$5,518,000	$306,000
Special Funds and Reimbursements	$26,675,000	$26,431,000	($244,000)
County Funds [non-add]	[$89,841,000]	[$98,088,000]	[$8,247,000]
Total Family Health Expenditures	**$259,545,000**	**$276,398,000**	**$16,853,000**

Background. The Family Health Estimate forecasts the current and budget year local assistance expenditures for three state-only funded programs that provide services for low-income children and adults with special health care needs who do not qualify for enrollment in the Medi-Cal program.

The programs included in the Family Health Estimate are:

- **California Children's Services (CCS)**: The CCS program, established in 1927, is one of the oldest public health care programs in the nation and is administered in partnership with county health departments. The CCS state-only program provides health care services to children up to age 21 who have a CCS-eligible condition such as: cystic fibrosis, hemophilia, cerebral palsy, heart disease, cancer or traumatic injury; and either do not qualify for full-scope Medi-Cal or whose families cannot afford the catastrophic health care costs for the child's care. CCS costs for Medi-Cal eligible children are reflected in the Medi-Cal Local Assistance Estimate.

  Caseload Estimate (Medi-Cal): The May Revision estimates Medi-Cal CCS caseload of 188,596 in 2023-24 and 187,353 in 2024-25.
  Caseload Estimate (State-Only): The May Revision estimates state-only CCS caseload of 12,609 in 2023-24 and 13,215 in 2024-25.

- **Genetically Handicapped Persons Program (GHPP):** The GHPP program, established in 1975, provides medically necessary services and administrative case management for individuals age 21 and over with a GHPP-eligible condition such as cystic fibrosis, hemophilia, sickle cell, Huntington's, or metabolic diseases. The GHPP state-only program is for those individuals who do not qualify for full-scope Medi-Cal. GHPP costs for Medi-Cal eligible individuals are reflected in the Medi-Cal Local Assistance Estimate

  Caseload Estimate (Medi-Cal): The May Revision estimates Medi-Cal GHPP caseload of 911 in 2023-24 and 889 in 2024-25.
  Caseload Estimate (State-Only): The May Revision estimates state-only GHPP caseload of 726 in 2023-24 and 733 in 2024-25.

- **Every Woman Counts (EWC) Program:** The EWC program provides free breast and cervical cancer screening and diagnostic services to uninsured and underinsured women who do not qualify for Medi-Cal. Women diagnosed with breast or cervical cancer may be referred to the Breast and Cervical Cancer Treatment Program (BCCTP).

  Caseload Estimate: The May Revision estimates EWC caseload of 16,503 in 2023-24, and 16,375 in 2024-25.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the significant changes in Family Health Estimate programs at May Revision for the 2023-24 and 2024-25 fiscal years.

4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for CDPH in 2024-25:

- $470.7 million General Fund, a decrease of $344.7 million or 42.3 percent, compared to the January budget.
- $1.2 billion special funds, an increase of $24.2 million or 2.1 percent, compared to the January budget.
- 5168.4 positions, an increase of 3 or 0.1 percent, compared to the January budget.

New General Fund Budget Solutions at May Revision. CDPH proposes the following General Fund budget solutions at May Revision:

- *Elimination of Post-Pandemic Public Health Infrastructure Funding.* CDPH requests reduction of General Fund expenditure authority of $52.5 million in 2023-24 and $300 million annually thereafter that currently supports state and local health departments' investments in additional staff, infrastructure, prevention, infectious disease control, population, health, and emergency preparedness.

- *AIDS Drug Assistance Program (ADAP) Loan to the General Fund.* CDPH requests a loan of $500 million from the AIDS Drug Assistance Program (ADAP) Rebate Fund to the General Fund in 2024-25 to address the General Fund shortfall. CDPH also requests provisional budget bill language governing repayment of the loan, and expenditure authority from the ADAP Rebate Fund of $23 million for various program enhancements.

- *CYBHI – Youth Suicide Reporting and Crisis Response Pilot Program.* CDPH requests to revert General Fund expenditure authority of $13.5 million, originally approved in the 2022 and 2023 Budget Acts, and a reduction of General Fund expenditure authority of $1.5 million in 2024-25, that currently supports youth suicide reporting and crisis response pilot program.

- *CYBHI – Public Education and Change Campaign Elimination.* CDPH requests reduction of General Fund expenditure authority of $40 million in 2024-25 and $5 million in 2025-26 to reflect elimination of the Children and Youth Behavioral Health Initiative Public Education and Change Campaign.

- *Office of Oral Health General Fund Backfill.* CDPH requests reduction of annual General Fund expenditure authority of $4.6 million that currently supports stable funding for the department's Office of Oral Health, in combination with resources from the Proposition 56 tobacco tax.

- *Skilled Nursing Facilities Staffing Audits Fund Shift.* CDPH requests an ongoing shift of General Fund expenditure authority of $4 million to the Licensing and Certification Fund to support auditing and enforcement of skilled nursing facilities' minimum staffing requirements. This fund shift was proposed for 2024-25 one-time in the January budget and approved by the Legislature in its early action on the budget.

- *Climate and Health Surveillance Program Reduction.* CDPH requests reduction of annual General Fund expenditure authority of $3.1 million to reflect a reduction in the Climate and Health Surveillance Program.

- *Disease Surveillance Readiness, Response, Recovery, and Maintenance of IT Operations.* CDPH requests reduction of General Fund expenditure authority of $6.9 million annually beginning in 2025-26 to reflect a reduction in the appropriation for Disease Surveillance Readiness, Response, Recovery, and Maintenance of IT Operations approved in the 2022 Budget Act.

- *Information Technology, Data Science and Informatics Framework for a 21st Century Public Health System.* CDPH requests reduction of General Fund expenditure authority of $10 million annually, beginning in 2025-26, to reflect a reduction in the appropriation for the Information Technology, Data Science, and Informatics Framework proposal approved in the 2022 Budget Act.

- *Various Special Fund Loans to the General Fund.* CDPH requests loans from the following special funds to the General Fund:

    - Licensing and Certification Fund – $70 million
    - Childhood Lead Poisoning Prevention Fund – $18 million
    - Infant Botulism Treatment and Prevention Fund – $17 million
    - Health Statistics Special Fund – $17 million
    - Birth Defects Monitoring Fund – $5 million
    - Radiation Control Fund – $4.5 million
    - Occupational Lead Poisoning Prevention Account – $3 million
    - Gambling Addiction Program Fund – $2.7 million
    - Domestic Violence Training and Education Fund – $1.6 million
    - Cannery Inspection Fund – $1.2 million

Other Adjustments and Trailer Bill Language Proposals at May Revision. CDPH proposes the following other adjustments at May Revision:

- *California vs. JUUL Labs Settlement.* CDPH requests expenditure authority from settlement funds of $5.6 million in 2024-25, $7.8 million in 2025-26 through 2027-28, and $7.6 million in 2028-29 to help address, prevent, and reduce youth use of e-cigarettes, pursuant to a settlement agreement with JUUL Labs, Inc.

- *Adjustment to Reimbursement Authority.* CDPH requests reimbursement authority of $181 million in 2024-25 to allow the department to expend funds associated with the extension of the federal Epidemiology and Laboratory Capacity Grant, and an agreement with EMSA to support an emergency staffing contract.

- *Proposition 99 Expenditure Adjustments.* CDPH requests the following changes to its Proposition 99 expenditures, based on updated cigarette tax revenue estimates:

    - Health Education Account (0231) – Increase $1.5 million ongoing for state operations

- Health Education Account (0231) – Increase $500,000 ongoing for local assistance
- Research Account (0234) – Increase $210,000 ongoing
- Unallocated Account (0236) – Increase $16,000 ongoing

- *Adjustments to Reflect Available Resources in Breast Cancer Research Account.* CDPH requests expenditure authority form the Breast Cancer Research Account of $33,000 to reflect updated cigarette tax revenue estimates.

Implementation of Chaptered Legislation. DHCS proposes the following adjustments to reflect implementation of chaptered legislation:

- *California Neurodegenerative Disease Registry (AB 424).* CDPH requests General Fund expenditure authority of $918,000 in 2024-25, and $543,000 in 2025-26 through 2027-28 to collect data to determine the incidence and prevalence of amyotrophic lateral sclerosis in the state through the Neurodegenerative Disease Registry, pursuant to the requirements of AB 424 (Bryan), Chapter 522, Statutes of 2023.

- *California Cancer Registry (SB 344).* CDPH requests one position and General Fund expenditure authority of $271,000 in 2024-25 and $91,000 in 2025-26 and 2026-27 for the department to develop and monitor new compliance requirements for pathologists reporting to the California Cancer Registry, pursuant to the requirements of SB 344 (Rubio), Chapter 867, Statutes of 2023.

- *Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act (AB 1163).* CDPH requests General Fund expenditure authority of $430,000 in 2024-25 and $280,000 in 2025-26 to implement system changes to collect voluntary self-identification information pertaining to intersexuality in the course of collecting demographic data, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023.

- *Reporting of Animal Testing Methods (AB 357).* CDPH requests one position and General Fund expenditure authority of $688,000 in 2024-25, $569,000 in 2025-26, and $257,000 annually thereafter to receive reports from manufacturers on animal testing methods, pursuant to the requirements of AB 357 (Maienschein), Chapter 430, Statutes of 2023.

- *Tobacco Sales – Flavored Tobacco Ban (AB 935).* CDPH requests General Fund expenditure authority of $2.2 million in 2024-25 and $1.9 million annually thereafter to enforce the ban on flavored tobacco products by conducting investigations of licensed tobacco retailers, pursuant to the requirements of AB 935 (Connolly), Chapter 351, Statutes of 2023.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CDPH respond to the following:

1. Please provide a brief overview of the major adjustments to the CDPH budget included in the May Revision.

Issue 2: AIDS Drug Assistance Program (ADAP) Estimate

AIDS Drug Assistance Program (ADAP) Estimate. The Office of AIDS within CDPH administers the AIDS Drug Assistance Program (ADAP), which provides access to life-saving medications for Californians living with HIV and assistance with costs related to HIV pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) for Californians at risk of acquiring HIV. Clients are eligible for ADAP services if they meet the following criteria:

1. are HIV infected;
2. are a resident of California;
3. are 18 years of age or older;
4. have a Modified Adjusted Gross Income that does not exceed 500 percent of the Federal Poverty Level; and
5. are not fully covered by or eligible for Medi-Cal or any other third-party payer.

ADAP Programs. ADAP provides services to its clients through support for medications, health insurance premiums and out-of-pocket costs. Participating clients generally fall into one of five categories:

1. *Medication-only clients* are people living with HIV who do not have private insurance and are not enrolled in Medi-Cal or Medicare. ADAP covers the full cost of prescription medications on the ADAP formulary for these individuals, who only receive services associated with medication costs.
2. *Medi-Cal Share of Cost clients* are persons living with HIV enrolled in Medi-Cal who have a share of cost for Medi-Cal services. ADAP covers the share of cost for medications for these clients, who only receive services associated with medication costs.
3. *Private insurance clients* are persons living with HIV who have some form of health insurance, including through Covered California, privately purchased health insurance, or employer-based health insurance and who receive services associated with medication costs, health insurance premiums and medical out-of-pocket costs.
4. *Medicare Part D clients* are persons living with HIV enrolled in Medicare and have purchased Medicare Part D plans for medication coverage. This group of clients receives services associated with medication co-pays, medical out-of-pocket costs, Medicare Part D health insurance premiums, and has the option for premium assistance with Medigap supplemental insurance policies, which cover medical out-of-pocket costs.
5. *Pre-exposure prophylaxis (PrEP) Assistance Program (PrEP-AP) clients* are individuals who are at risk for, but not infected with, HIV and have chosen to take PrEP, or post-exposure prophylaxis (PEP), as a way to prevent infection. For insured clients, PrEP-AP pays for PrEP- and PEP-related medical out-of-pocket costs and covers the gap between what the client's insurance plan and the manufacturer's co-payment assistance program pays towards medication costs. For uninsured clients, PrEP-AP only provides assistance with PrEP- and PEP-related medical costs, as medication is provided free by the manufacturer's medication assistance program.

ADAP is funded by federal funds and the ADAP Rebate Fund (Fund 3080). The federal government began funding state programs to assist people living with HIV to purchase antiretroviral medications in 1987. Since 1990 with the passage of the Ryan White Comprehensive AIDS Resources Emergency Act, now known as the Ryan White Program, the federal Health Resources and Services Administration

(HRSA) provides funding to states for ADAP programs. In addition to federal funds, ADAP receives significant funding from mandatory and voluntary manufacturer rebates for ADAP drug expenditures.

ADAP Estimate – May Revision. The May 2024 ADAP Local Assistance Estimate reflects revised 2023-24 expenditures of $374 million, an increase of $20.1 million or 5.7 percent compared to the January budget. According to CDPH, this increase is primarily due to higher medication and insurance premium expenditures than previously estimated. For 2024-25, CDPH estimates ADAP expenditures of $376.7 million, an increase of $10.7 million, or 2.9 percent compared to the January budget. According to CDPH, the continued relative increase of expenditures between 2024-25 and 2023-24, compared to the January budget, is similarly due to higher medication expenditures than previously estimated.

ADAP Local Assistance Funding Summary		
Fund Source	**2023-24**	**2024-25**
0890 – Federal Trust Fund	$373,976000	$376,670,000
3080 – AIDS Drug Assistance Program Rebate Fund	$265,817,000	$260,794,000
Total ADAP Local Assistance Funding	**$373,976,000**	**$376,670,000**

ADAP tracks caseload and expenditures by client group. CDPH estimates ADAP caseload and expenditures for 2023-24 and 2024-25 will be as follows:

Caseload by Client Group	**2023-24**	**2024-25**
Medication-Only	9,294	8,275
Medi-Cal Share of Cost	61	67
Private Insurance	9,259	9,264
Medicare Part D	7,033	6,962
PrEP Assistance Program	6,005	6,981
TOTAL	**31,651**	**31,548**

Expenditures by Client Group	**2023-24**	**2024-25**
Medication-Only	$238,200,343	$218,512,685
Medi-Cal Share of Cost	$611,548	$667,143
Private Insurance	$91,331,732	$98,351,180
Medicare Part D	$27,197,909	$30,130,849
PrEP Assistance Program	$14,356,964	$19,735,043
TOTAL	**$371,698,495**	**$374,670,107**

Costs for administration of ADAP are estimated to be $5.2 million in 2023-24 and $8.2 million in 2024-25. Costs for administration of PrEP-AP are estimated to be $3.5 million in 2023-24 and $5.6 million in 2024-25. Enrollment costs are estimated to be $7.7 million in 2023-24 and $8 million in 2024-25. ADAP estimates a reduction of expenditures of $16.1 million in 2023-24 and $14.5 million in 2024-25 for Health Management Systems.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the major changes to the ADAP Estimate.

Issue 3: Genetic Disease Screening Program (GDSP) Estimate

Genetic Disease Screening Program Estimate – May Revision. The May 2024 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of $164.8 million ($38.7 million state operations and $126.1 million local assistance) in 2023-24, and $176.8 million ($38.8 million state operations and $138 million local assistance) in 2024-25.

Genetic Disease Screening Program (GDSP) Funding Summary			
	2023-24	**2024-25**	**BY to CY**
Fund Source	***Revised***	***Proposed***	***Change***
0203 – Genetic Disease Testing Fund			
State Operations:	$38,670,000	$38,761,000	$91,000
Local Assistance:	$126,112,000	$138,045,000	$11,933,000
Total GDSP Expenditures	**$164,782,000**	**$176,806,000**	**$12,024,000**

Background. According to CDPH, the Genetic Disease Screening Program (GDSP) performs the following tasks to support its mission:

- Screens newborns and pregnant individuals for genetic and congenital disorders in a cost-effective and clinically effective manner. The screening programs provide testing, follow-up, and early diagnosis of disorders to prevent adverse outcomes or minimize clinical effects.
- Ensures quality of analytical test results and program services by developing standards and quality assurance procedures, and monitoring compliance.
- Fosters informed participation in its programs in an ethical manner through a combination of patient, professional, and public education, and accurate and up-to-date information and counseling.
- Provides ongoing critical review, testing, and evaluation of existing programs to ensure program objectives and goals are being met.
- Develops programs to adopt new methods and implement new services that further enhance the effectiveness and efficiency of current and future prevention programs.
- Promotes use of high-quality consumer education materials on genetic disorders, screening for birth defects and genetic services.

GDSP operates two primary screening programs: the Newborn Screening Program and the Prenatal Screening Program. Caseload and expenditures for these programs are reflected in the GDSP Estimate along with operational support costs for the programs.

Newborn Screening (NBS) Program. Newborn screening, recognized nationally as an essential preventive health measure, began in California in 1966 with the testing of infants for phenylketonuria (PKU). In 1980, the program was expanded to include galactosemia, primary congenital hypothyroidism, and included a more comprehensive follow-up system. In 1990, screening for sickle cell disease was added to the screening program, which allows for identification of related non-sickling hemoglobin disorders, including beta-thalassemia major, and Hb E/beta thalassemia. In 1999, the program implemented screening for hemoglobin H and hemoglobin H - Constant Spring disease. In 2005 the screening panel was expanded to include additional metabolic disorders and congenital adrenal hyperplasia (CAH), and

in 2007, the screening panel was expanded to include cystic fibrosis (CF) and biotinidase deficiency (BD). In 2010, Severe Combined Immunodeficiency (SCID) was added to the screening panel.

According to CDPH, disorders screened for by the program have varying degrees of severity and, if identified early, many can be treated before they cause serious health problems. Between 1980 and 2017, 18,920,529 babies were screened resulting in early identification of the following disorders:

Disorder	Cases
Phenylketonuria (PKU)	1,264
Primary Congenital Hypothyroidism	7,857
Galactosemia	1,018
Sickle Cell Disease and other clinically significant Hemoglobinopathies	5,006
Biotinidase Deficiency (BD)	209
Cystic Fibrosis (CF)	636
Congenital Adrenal Hyperplasia (CAH)	376
Metabolic Fatty Acid Oxidation Disorders	741
Metabolic Amino Acid Disorders (other than PKU)	203
Metabolic Organic Acid Disorders	518
Other Metabolic Disorders	62
Severe Combined Immunodeficiencies	75
X-Linked Adrenoleukodystrophy (ALD) and Other Peroxisomal Disorders	50
TOTAL	**18,015**

The NBS program currently screens infants in California for more than 80 separate disorders. Pursuant to SB 1095 (Pan), Chapter 363, Statutes of 2016, two additional disorders, Mucopolysaccharidosis type I (MPS-I) and Pompe disease, were added to the screening panel in 2018. In addition, as conditions are added to the federal Recommended Uniform Screening Panel (RUSP), SB 1095 requires them to be added to the NBS program screening panel within two years. The current fee for screening in the NBS program is currently $211.

NBS Caseload Estimate: The May Revision estimates NBS program caseload of 404,919 in 2023-24, a decrease of 5,042 or 1.2 percent, compared to 2022-23 actual total caseload of 409,961. The May Revision estimates NBS program caseload of 402,515 in 2024-25, a decrease of 2,404 or 0.6 percent, compared to the revised 2023-24 estimate. These estimates are based on state projections of the number of live births in California. CDPH assumes 100 percent of children born in California will participate in the NBS program annually.

Prenatal Screening (PNS) Program. The Prenatal Screening (PNS) program provides prenatal screening services and follow-up diagnostic services, where indicated, to all pregnant individuals in California to detect birth defects during pregnancy. The program offers two types of prenatal screening:

- Cell-free DNA (cfDNA) Screening - Cell-free DNA (cfDNA) is a non-invasive screening test for fetal chromosomal abnormalities that relies on extraction of maternal and fetal cells from a pregnant individual's blood sample. cfDNA can detect chromosomal abnormalities and birth defects including trisomy 21 (Down syndrome), trisomy 18 (Edwards syndrome), and trisomy 13 (Patau syndrome).

Compared to the metabolic screening methods previously used by PNS, cfDNA screening results in fewer false positives and better accuracy resulting in fewer pregnant individuals being referred for diagnostic follow-up services.

- Maternal Serum Alpha-Fetoprotein (MSAFP) Screening – Alpha-fetoprotein (AFP) is a protein mainly produced in the fetal liver and released into the maternal serum (MSAFP) and amniotic fluid. A small amount crosses the placenta and becomes measurable in the maternal serum towards the end of the first trimester. Levels rise steadily through the second trimester. This screening detects neural tube defects, such as open spina bifida or anencephaly, which result in higher than normal MSAFP in maternal serum.

For pregnant individuals with screening results indicating a high risk for a birth defect, the program provides free follow-up diagnostic services at state-approved Prenatal Diagnosis Centers (PDCs). Services offered at these centers include genetic counseling, ultrasound, and amniocentesis. Participation in the screening testing and follow-up services is voluntary and the fee for testing through the PNS program is $232. Of the $232 fee, $222 is deposited in the Genetic Disease Testing Fund to support PNS, and $10 is deposited into the California Birth Defect Monitoring Program Fund. There is also a separate fee for neural tube defect (NTD) screening of $85. GDSP will be increasing PNS fees by $112 (from $232 to $344) beginning July 2024.

PNS Caseload Estimate: The May Revision estimates PNS program caseload of 216,941 cfDNA specimens and 252,495 Biochemical Screening test specimens in 2023-24. The May Revision estimates PNS program caseload of 215,601 cfDNA specimens and 250,935 Biochemical Screening test specimens in 2024-25. These estimates are based on state projections of the number of live births in California.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the caseload and expenditure changes for the Newborn Screening Program.

2. Please provide a brief overview of the caseload and expenditure changes for the Prenatal Screening Program.

Issue 4: Women, Infants, and Children (WIC) Program Estimate

WIC Program Estimate – May Revision. The May 2024 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of $1.4 billion ($1.2 billion federal funds and $193.4 million WIC manufacturer rebate funds) in 2023-24 and $1.5 billion ($1.3 billion federal funds and $217.3 million WIC manufacturer rebate funds) in 2024-25. The federal fund amounts include state operations costs of $66.2 million in 2023-24 and $69.5 million in 2024-25.

Women, Infants, and Children (WIC) Funding Summary			
	2023-24	**2024-25**	**BY to CY**
Fund Source	***Revised***	***Proposed***	***Change***
0890 – Federal Trust Fund			
State Operations:	$66,226,000	$69,483,000	$3,257,000
Local Assistance:	$1,128,789,000	$1,198,038,000	$69,249,000
3023 – WIC Manufacturer Rebate Fund			
Local Assistance:	$193,360,000	$217,313,000	$23,953,000
Total WIC Expenditures	**$1,388,375,000**	**$1,484,834,000**	**$96,459,000**

Background. The WIC program provides nutrition services and food assistance for pregnant, breastfeeding, and non-breastfeeding individuals, infants, and children up to their fifth birthday at or below 185 percent of the federal poverty level. WIC program services include nutrition education, breastfeeding support, assistance with finding health care and other community services, and vouchers for specific nutritious foods that are redeemable at WIC-authorized retail food outlets throughout the state. The WIC program receives federal funds from the United States Department of Agriculture (USDA) under the federal Child Nutrition Act of 1966. Specific uses of WIC Program funds are governed by federal laws and regulations, and CDPH must report funds and expenditures monthly.

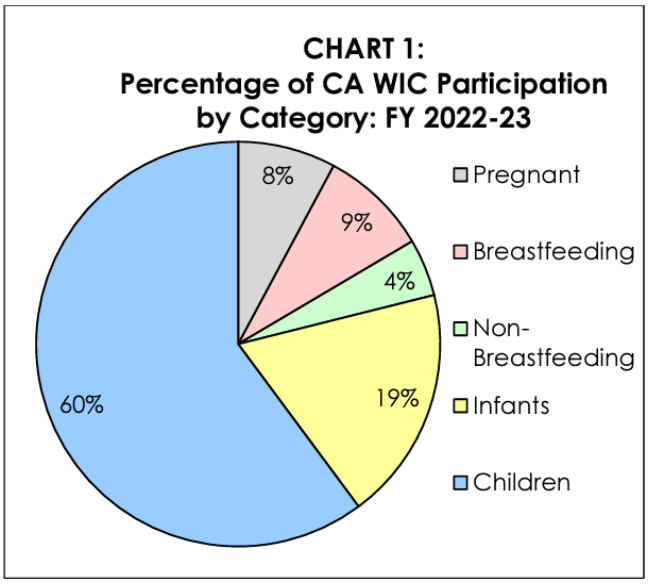
The WIC program's food expenditures are funded by a combination of federal grants and rebates from manufacturers of infant formula. Federal WIC regulations require that state WIC programs have sole supplier rebate contracts in place with infant formula manufacturers for milk-based and soy-based infant formula. As infant formula is provided to WIC recipients, the program receives a rebate from the manufacturer which is used to fund additional food expenditures. In addition to food expenditures, the program receives federal funds from the Nutrition Services and Administration (NSA) grant, which are used to contract with local agencies for direct services provided to WIC families including intake, eligibility determination, benefit issuance, nutrition education, breastfeeding support, and referrals to health and social services. The NSA grant also funds state operations for administering the WIC program.

WIC Participant Caseload. Food expenditures are divided into five participant categories, each with special nutrition needs that influence food costs:

- **Pregnant individuals** are eligible for the WIC program at any point in their pregnancy, and receive supplemental foods high in protein, calcium, iron, vitamin A, and vitamin C to support optimal fetal development.

- **Breastfeeding individuals** are eligible for benefits up to their infant's first birthday, and receive an enhanced supplemental food package with foods high in protein, calcium, iron, vitamin A, and vitamin C to support caloric needs during breastfeeding.
- **Non-breastfeeding individuals** are eligible for benefits up to six months after the birth of their infants, and receive a supplemental food package to help in rebuilding nutrient stores, especially iron and calcium, and achieving a healthy weight after delivery.
- **Infants** are eligible until one year of age. The WIC Program promotes breastfeeding as the optimal infant feeding choice due to its many health, nutritional, economical, and emotional benefits to parent and baby. Infants may also receive supplemental foods that are rich in protein, calcium, iron, vitamin A, and vitamin C during this critical period of development.
- **Children** are eligible from age one up to age five, and receive supplemental foods rich in protein, calcium, iron, vitamin A, and vitamin C. These nutrients have been shown to be lacking in the diets of children who qualify for WIC benefits and are needed to meet nutritional needs during critical periods of development. The food package also provides foods lower in saturated fat to reduce the risk of childhood obesity.

According to the WIC program Estimate, WIC participation by category, as of 2022-23, was as follows:



Caseload Estimates. The May Revision assumes 990,425 average monthly WIC participants in 2023-24, a decrease of 2,215 or 0.2 percent compared to the average monthly WIC participants estimated in the January budget. The May Revision assumes 1,029,734 average monthly WIC participants in 2024-25, an increase of 2,812 or 0.3 percent compared to the average monthly WIC participants estimated in the January budget.

Food Expenditures Estimate. The May Revision includes $1 billion ($821.5 million federal funds and $189.6 million rebate fund) in 2023-24 for WIC program food expenditures, a decrease of $17.7 million or 1.8 percent, compared to the January budget. According to CDPH, the decrease in costs is due to a decrease in projected infant participation.

The May Revision includes $1.1 billion ($876 million federal funds and $184 million rebate funds) in 2024-25 for WIC program food expenditures, a decrease of $7.3 million or 3.4 percent compared to the food expenditures estimate in the January budget. According to CDPH, this decrease in costs is driven by decreased current year per participant food costs, which are used to forecast budget year.

Nutrition Services and Administration (NSA) Estimate. The May Revision includes $322 million for other local assistance expenditures for the NSA budget in 2023-24 and 2024-25, unchanged from the January budget. The budget also includes $66.2 million for state operations expenditures in 2023-24 and 2024-25, also unchanged from the January budget.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the caseload and expenditure changes for the WIC program.

Issue 5: Center for Health Care Quality Estimate

Center for Health Care Quality Program Estimate – May Revision. The May Revision includes expenditure authority for the Center for Health Care Quality of $481.8 million ($6.3 million General Fund, $139.3 million federal funds, and $336.2 million special funds and reimbursements) in 2023-24, unchanged compared to the January budget, and $474.6 million ($1.3 million General Fund, $130.2 million federal funds, and $343.1 million special funds and reimbursements) in 2024-25, an increase of $852,000 or 0.2 percent compared to the January budget. According to CDPH, the increase in 2024-25 is attributed to an increase in expenditure authority for the Internal Departmental Quality Improvement Account.

CHCQ Funding Summary, May Revision Estimate		
Fund Source	**2023-24**	**2024-25**
0001 – General Fund	$6,260,000	$1,269,000
0890 – Federal Trust Fund	$139,335,000	$130,189,000
0942 – Special Deposit Fund		
Internal Departmental Quality Improvement Account	$716,000	$1,570,000
State Health Facilities Citation Penalty Account	$2,144,000	$2,144,000
Federal Health Facilities Citation Penalty Account	$6,152,000	$6,154,000
0995 – Reimbursements	$15,614,000	$15,693,000
3098 – Licensing and Certification Program Fund	$311,575,000	$317,558,000
Total CHCQ Funding	**$481,796,000**	**$474,577,000**
Total CHCQ Positions	**1534.4**	**1544.2**

Background. CDPH's Center for Health Care Quality, Licensing and Certification Program (L&C) is responsible for administering the licensure, regulation, inspection, and certification of health care facilities and certain health care professionals in California. The program is organized into 14 district offices and Los Angeles County, which operates under a contract with the L&C program. L&C staff conduct periodic inspections and investigation of complaints and entity-reported incidents to ensure health care facilities comply with state and federal laws and regulations. L&C also contracts with the federal Centers for Medicare and Medicaid Services (CMS), which provides federal funding to ensure that facilities accepting Medicare and Medi-Cal payments comply with federal laws and regulatory requirements. In addition to facility oversight, L&C oversees the certification of certified nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the changes to the Center for Health Care Quality Estimate for May Revision.

4440 DEPARTMENT OF STATE HOSPITALS

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for DSH in 2024-25:

- $3.1 billion General Fund, a decrease of $57.5 million or 1.8 percent, compared to the January budget.
- 13,437 positions, an increase of 25 or 0.2 percent, compared to the January budget.

New General Fund Budget Solution at May Revision. DSH proposes the following General Fund budget solution at May Revision:

- *Metropolitan – Central Utility Plant Replacement Cash to Bonds.* DSH requests to replace existing General Fund expenditure authority of $1.9 million for the working drawings phase of the Central Utility Plant Replacement project at DSH-Metropolitan with $1.9 million of expenditure authority from the Public Buildings Construction Fund. DSH also proposes provisional budget bill language to authorize the State Public Works Board to issue bonds to finance the cost of the design and construction of this project.

Program and Caseload Updates and Other Adjustments at May Revision. DSH proposes the following program and caseload updates and other adjustments at May Revision:

- *Program Update – DSH-Metropolitan Increased Secure Bed Capacity.* DSH estimates General Fund savings of $3.9 million in 2023-24 to reflect delays in completing the skilled nursing facility roof to facilitate the activation of secure bed capacity at DSH-Metropolitan. The remaining two units, originally scheduled for activation in May 2024, are now scheduled for October 2024.

- *Program Update – Enhanced Treatment Program Staffing.* DSH estimates General Fund savings of $281,000 in 2023-24 due to a four-month delay in activation of Unit 06 of the Enhanced Treatment Program at DSH-Patton. The unit, previously expected to activate December 2023, is now scheduled for September 2024.

- *Program Update – Mission-Based Review Direct Care Nursing.* DSH estimates General Fund savings of $3.6 million in 2023-24 due to delays in hiring for direct care nursing staff.

- *Program Update – Mission-Based Review Treatment Team and Primary Care.* DSH estimates General Fund savings of $3.1 million in 2023-24 due to delays in hiring phased-in treatment team and primary care positions. In addition, DSH requests to delay 31.4 positions scheduled to phase in during 2024-25 until July 1, 2027, resulting in an additional General Fund savings of $8.2 million annually. According to DSH, this shift in the phase-in schedule more closely aligns with when the resources will likely be utilized.

- *Mission-Based Review Treatment Team Reversion.* DSH requests reversion of General Fund expenditure authority of $6.6 million, originally approved in the 2021 Budget Act, for hiring of treatment team and primary care staff, due to an updated implementation timeline.

- *Program Update – Patient-Driven Operating Expenses and Equipment.* DSH estimates General Fund savings of $1.6 million in 2023-24 and requests a reduction of General Fund expenditure authority of $632,000 in 2024-25 to reflect a reduction in the amount of operating expenses and equipment needs. According to DSH, this reduction is due to updated patient census data.

- *Program Update – Conditional Release Program (CONREP) Non-SVP.* DSH estimates CONREP-Non-SVP caseload of 960 in 2023-24 and 938 in 2024-25. DSH estimates General Fund savings of $2.6 million in 2023-24 due to challenges hiring clinical staff for CONREP-Non-SVP programs.

- *Program Update – Incompetent to Stand Trial Solutions.* DSH estimates General Fund savings of $118.3 million in 2023-24 (including $45 million reappropriated from the 2022 Budget Act). DSH also requests reduction of General Fund expenditure authority of $49.9 million in 2024-25 due to activation delays in Jail-Based Competency Treatment Programs and Community-Based Restoration/Diversion Programs, and for county stakeholder workgroup grant contracts not yet executed. DSH also proposes to shift General Fund expenditure authority of $129.5 million from 2025-26 to 2026-27 to better align with program implementation timelines.

- *Allocations for Employee Compensation and Staff Benefits.* DSH requests General Fund expenditure authority of $108,000 in 2023-24 and $145,000 annually thereafter to reflect revised employee compensation costs. DSH also requests General Fund expenditure authority of $9,000 in 2023-24 and $11,000 annually thereafter to reflect revised employee benefit costs.

- *2023 Budget Act Reversions – Electronic Health Records and Health Care Provider Network.* DSH requests reversion of General Fund expenditure authority of $7.2 million, originally approved in the 2023 Budget Act, due to updated project timelines for the Electronic Health Records project. DSH also requests reversion of General Fund expenditure authority of $2.2 million, originally approved in the 2023 Budget Act, for the Health Care Provider Network.

- *Data Compliance.* DSH requests eight positions, supported with existing expenditure authority, including conversion of six positions from limited-term to permanent, to make the department's data leadership structure permanent, and support data compliance across multiple directives.

- *Workers' Compensation Adjustment.* DSH requests conversion of seven limited-term positions to permanent, supported with existing expenditure authority, to address an increase in workers' compensation workload.

- *SB 1034 Workload.* DSH requests ten positions, supported with existing expenditure authority, to support increased workload related to convening various stakeholders to facilitate community placement of a sexually violent predator (SVP), pursuant to the requirements of SB 1034 (Atkins), Chapter 880, Statutes of 2022.

- *Coalinga – New Activity Courtyard.* DSH requests a supplemental appropriation of General Fund expenditure authority of $1.1 million in 2024-25 to complete the construction phase of the Coalinga New Activity Courtyard project, due to procuring a new general contractor and associated construction delays.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DSH respond to the following:

1. Please provide a brief overview of the major adjustments to the DSH budget included in the May Revision.

4560 MENTAL HEALTH SERVICES OVERSIGHT AND ACCOUNTABILITY COMMISSION

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for MHSOAC in 2024-25:

- $48.8 million Mental Health Services Fund, an increase of $494,000 or one percent, compared to the January budget.
- 59 positions, an increase of 3 or 5.4 percent, compared to the January budget.

Other Adjustments at May Revision. MHSOAC proposes the following other adjustments at May Revision:

- *Behavioral Health Transformation.* MHSOAC requests three positions and expenditure authority from the Mental Health Services Fund of $494,000 annually between 2024-25 and 2026-27, and $394,000 annually thereafter, to support workload related to the implementation of behavioral health transformation efforts and other changes pursuant to the Behavioral Health Services Act.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested MHSOAC respond to the following:

1. Please provide a brief overview of the major adjustments to the MHSOAC budget included in the May Revision.

4800 COVERED CALIFORNIA

Issue 1: May Revision Overview

Summary of Expenditures at May Revision. The May Revision includes the following resources for Covered California in 2024-25:

- $20.4 million General Fund, unchanged compared to the January budget.
- $167 million from the Health Care Affordability Reserve, unchanged compared to the January budget.
- $424.4 million from the California Health Trust Fund, unchanged compared to the January budget.
- 1,384.8 positions, unchanged compared to the January budget.

New General Fund Budget Solutions at May Revision. The Administration proposes the following General Fund budget solutions in the Covered California budget at May Revision:

- *Delay Repayment of Health Care Affordability Reserve Fund Loan.* The Administration proposes trailer bill language to delay the repayment of the $600 million loan from the Health Care Affordability Reserve Fund to the General Fund, authorized in the 2023 Budget Act. The loan, originally scheduled to be repaid in 2025-26, would instead be paid back in increments of $200 million in 2026-27, 2027-28, and 2028-29.

- *Additional Health Care Affordability Reserve Fund Loan.* The Administration requests an additional loan from the Health Care Affordability Reserve Fund to the General Fund of $62 million in 2024-25, in addition to the $600 million loan to the General Fund authorized in the 2023 Budget Act and proposed for repayment delay in the May Revision.

- *Partial Individual Mandate Penalty Transfer.* The Administration requests annual transfer of $109 million of expenditure authority from the Health Care Affordability Reserve Fund to the General Fund, beginning in 2025-26. These resources are derived from individual mandate penalty payments made by Californians unable to obtain health care coverage.

Other Adjustment and Trailer Bill Language Proposals at May Revision. The Administration proposes the following other adjustment to the Covered California budget at the May Revision:

- *2025 Program Design Implementation Provisional Language.* The Administration proposes provisional budget bill language to specify that the 2025 Program Design will provide cost-sharing reductions to individuals at or above 100 percent of the federal poverty level.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested the Department of Finance respond to the following:

1. Please provide a brief overview of the major adjustments to the Covered California budget included in the May Revision.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Part B: Human Services May Revision Issues

Thursday, May 16, 2024
Upon Call of the Chair
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Item **Department** **Page**

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

4100 STATE COUNCIL ON DEVELOPMENTAL DISABILITIES

Issue 1: State Council on Developmental Disabilities – May Revision Overview

Budget Adjustments – Governor's May Revision. The May Revision includes the following adjustment items under the State Council on Developmental Disabilities (SCDD).

- **Support Services Assistant** – SCDD requests that Item 4100-001-0890 be increased by $95,000 in 2024-25 and one position ongoing. This request includes $87,000 in 2025-26 and $83,000 ongoing beginning in 2026-27. These resources provide authority for a Support Services Assistant.

- **Statewide Self-Determination Advisory Committee** – SCDD requests that Item 4100-001-0001 be amended by increasing reimbursements by $215,000 in fiscal years 2024-25, 2025-26, and 2026-27 and one position ongoing to support an existing interagency agreement with the Department of Developmental Services related to the Statewide Self-Determination Advisory Committee.

- **Self-Determination Program Orientations and Trainings** — SCDD requests that Item 4100-001-0001 be amended by increasing reimbursements by $565,000 in 2024-25, $471,000 in 2025-26, and $478,000 in 2026-27 and two positions ongoing to support an existing interagency agreement with the Department of Developmental Services related to Self-Determination Program orientations and trainings.

- **Reappropriation of Go-Kits Reimbursement Authority** - SCDD requests that Item 4100-491 be added to reappropriate up to $365,000 from Item 4100-001-0001, Budget Act of 2020, through June 30, 2025. This request corrects a reappropriation included in the 2023 Budget Act and will allow the Council to fully expend its 2020 Wildfire Recovery Fund grant award from the California Community Foundation.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the May Revision budget adjustments proposed for SCDD.

4170 CALIFORNIA DEPARTMENT OF AGING

Issue 1: California Department of Aging - May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following budget solutions under the California Department of Aging (CDA):

- **Elimination of Senior Nutrition and Other Senior Services Funding.** The May Revision proposes to eliminate all remaining funding ($37.2 million in 2024-25, 2025-26, and 2026-27, for a total of $111.6 million) for the Older Californians Act Modernization. The 2022 Budget Act included $186 million over three years to restore local services and supports for older adults that were reduced during the Great Recession, including senior nutrition programs, family caregiver supports, and aging in place programs. The 2023 Budget Act spread this funding out over five years instead of the original three years.

- **Elimination of Older Adult Behavioral Health Program.** The May Revision proposes to eliminate funding for the Older Adult Behavioral Health Program as follows: $5.4 million in 2023-24, $20 million in 2024-25, and $8.4 million in 2025-26. The 2023 Budget Act included $50 million over three years to advance behavioral health for older adults: $30.3 million to local partners for older adult behavioral health capacity building; $4.5 million to allow for continued operation of the statewide Older Adult Friendship Line; and $10.5 million for an older adult behavioral health stigma reduction media campaign.

CDA Solution Adopted in Early Action. The 2024 Early Action package included the following solution under CDA:

- **Cancellation of Healthier at Home Pilot Program.** The Early Action package included $11.9 million General Fund savings to cancel the Healthier at Home Pilot Program.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision cuts to CDA programs.

2. The Older Californians Act funding proposed to be eliminated was intended to restore services, primarily for senior nutrition programs, that were cut during the Great Recession. What is the programmatic impact of eliminating these local services? How does this align with the Master Plan for Aging?

3. The Older Adult Behavioral Health Program proposed to be cut originally included $20 million in 2023-24, but the Administration is proposing to cut $5.4 million in 2023-24. Has approximately $14.6 million of the 2023-24 share of this funding spent, and if so, how was it spent?

Issue 2: California Department of Aging – May Revision Overview

Overview – May Revision. The May Revision includes $364 million ($124.7 million General Fund) for CDA. With the cuts described in Issue 1, there is an approximately 31 percent decrease in General Fund supporting CDA compared to the Governor's January budget.

Other CDA Budget Adjustments – May Revision. In addition to the cuts described in Issue 1, the May Revision includes the following budget adjustments for CDA:

- CDA requests that Item 4170-001-0001 be amended by increasing reimbursements by $911,000 in 2024-25 and $908,000 in 2025-26 and ongoing to support the Multipurpose Senior Services Program.

- CDA requests that Item 4170-101-0001 be amended by increasing reimbursements by $2.5 million in 2024-25 and ongoing to support the CalFresh Healthy Living Nutrition Education Program.

- CDA requests that Item 4170-001-0890 be amended by increasing reimbursements by $2,060,000, to realign federal fund reimbursement authority with projected federal grant award amounts. CDA requests that Item 4170-101-0890 be amended by increasing reimbursements by $33,395,000, to realign federal fund reimbursement authority with projected federal grant award amounts.

Chaptered Legislation – May Revision. The May Revision includes the following adjustment to enable CDA to implement recently chaptered legislation.

- CDA requests that Item 4170-001-0001 be increased by $130,000 in 2024-25 and $130,000 in 2025-26 to support one position to implement the Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act, AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the May Revision budget adjustments proposed for CDA.

2. Please provide an update on CDA components of the Home and Community Based Services Spending Plan. Are there any changes to CDA components at May Revision? Is CDA on track to spend down all remaining federal funds by December 2024?

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 1: Department of Developmental Services - May Revision Solutions

Budget Solutions – Governor's May Revision. The May Revision includes the following budget solutions under the Department of Developmental Services (DDS):

- **Regional Centers – Health and Safety Waiver Assistance.** The May Revision proposes to reduce funding for resources to assist individuals and families in applying for health and safety waivers by $4.4 million ($3 million General Fund) ongoing. This solution includes accompanying trailer bill language.

- **Emergency Preparedness Resources.** The May Revision proposes a reduction of $1.1 million ongoing for procuring emergency preparedness supplies and informational materials for individuals.

- **Tribal Engagement for Early Start Services.** The May Revision proposes a reduction of $750,000 ongoing tribal engagement for early start services.

- **Direct Service Professional Internship Program**. The May Revision proposes a reduction of $20 million General Fund one-time to cancel the Direct Service Professional Internship program. The 2022 Budget Act included $22.5 million for this program. This solution includes accompanying trailer bill language.

Revised Estimate for Coordinated Family Support Services. The May Revision decreases spending on Coordinated Family Services by $6.6 million to reflect revised service cost assumptions. Coordinated Family Supports was established in 2022 and is funded partially by General Fund and partially by federal funding under HCBS Spending Plan. As of December 31, 2023, there were 38 unique service providers delivering Coordinated Family Support services to 192 individuals.

DDS Solution Adopted in Early Action. The Early Action package included the following solution under DDS:

- **Delay of Preschool Inclusion Grants.** The Early Action package approved the Governor's proposed delay of $10 million annually for funding to support preschools in serving children with disabilities.

Open DDS Solutions Included in Governor's January Budget. The Governor's January budget includes the following budget solution under DDS, which was covered in this Subcommittee on March 21, 2024:

- **Delay of DDS Service Provider Rate Reform.** The Governor's budget proposes to delay the final phase of DDS Service Provider rate reform (currently scheduled for July 1, 2024), which generates $1 billion ($612.5 million General Fund) in savings in 2024-25.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision budget solutions proposed under DDS. For each item, please provide background and describe the programmatic impact of the proposed cut.

2. In addition to the savings proposed at May Revision from cancelling the DSP Internship program, does the Administration anticipate any savings from other recently initiated workforce initiatives, including the Regional Center Tuition Reimbursement program and the DSP stipends program?

3. What is the department's plan for the Coordinated Family Support program? Does the department have plans to continue this program beyond the current fiscal year?

Issue 2: Department of Developmental Services – May Revision Overview

Overview – May Revision. The May Revision includes $15.4 billion ($10 billion General Fund) for DDS in 2024-25; a net increase of $1.9 billion ($2 billion General Fund) over the updated 2023-24 budget, which is a 14.5 percent total fund increase. The total DDS budget at May Revision is summarized below:

Program Highlights
(Dollars in Thousands)

	FY 2023-24*	FY 2024-25	Difference
Community Services Program			
Regional Centers	$12,941,848	$14,878,990	$1,937,142
Total, Community Services	**$12,941,848**	**$14,878,990**	**$1,937,142**
General Fund	$7,626,916	$9,596,982	$1,970,066
Program Development Fund	$434	$434	$0
Developmental Disabilities Services Account	$150	$150	$0
Federal Trust Fund	$57,470	$57,338	($132)
Reimbursements	$4,330,931	$5,223,346	$892,415
Mental Health Services Fund	$740	$740	$0
HCBS ARPA	$542,237	$0	($542,237)
HCBS ARPA Reimbursements	$382,970	$0	($382,970)
State Operated Services			
Personal Services	$260,198	$281,128	$20,930
Operating Expense & Equipment	$66,986	$60,425	($6,561)
Total, State Operated Services	**$327,184**	**$341,553**	**$14,369**
General Fund	$291,362	$309,792	$18,430
Lottery Education Fund	$100	$100	$0
Reimbursements	$35,722	$31,661	($4,061)
Headquarters Support			
Personal Services	$122,143	$121,131	($1,012)
Operating Expense & Equipment	$53,363	$47,313	($6,050)
Total, Headquarters Support	**$175,506**	**$168,444**	**($7,062)**
General Fund	$109,301	$112,677	$3,376
Federal Trust Fund	$2,979	$3,010	$31
Program Development Fund	$451	$452	$1
Reimbursements	$53,487	$51,794	($1,693)
Mental Health Services Fund	$511	$511	$0
HCBS ARPA	$6,523	$0	($6,523)
HCBS ARPA Reimbursements	$2,254	$0	($2,254)
Total, All Programs	**$13,444,538**	**$15,388,987**	**$1,944,449**
Total Funding			
General Fund	$8,027,579	$10,019,451	$1,991,872
Federal Trust Fund	$60,449	$60,348	($101)
Lottery Education Fund	$100	$100	$0
Program Development Fund	$885	$886	$1
Developmental Disabilities Services Account	$150	$150	$0
Reimbursements	$4,420,140	$5,306,801	$886,661
Mental Health Services Fund	$1,251	$1,251	$0
HCBS ARPA	$548,760	$0	($548,760)
HCBS ARPA Reimbursements	$385,224	$0	($385,224)
Total, All Funds	**$13,444,538**	**$15,388,987**	**$1,944,449**

*FY 2023-24 includes $1.3 million Control Section 19.565 funding
*FY 2023-24 does not include $10.75 million for CPP reappropriation (GF).

Changes to 2023-24 DDS Baseline Budget. The May Revision includes the following changes to the DDS budget for 2023-24:

- The 2023-24 updated regional center budget includes $12.9 billion ($7.6 billion General Fund), a net decrease of $270.3 million ($215.1 million General Fund) compared to the Governor's Budget. This includes a projected decrease of $251.2 million in purchase of services (POS) expenditures and a decrease of $19.1 million in operations costs.

- There is no change to the 2023-24 regional center caseload from Governor's budget.

- There is a net decrease of $18.2 million ($66.7 million General Fund) in policy-related expenditures compared to the Governor's Budget. This is primarily driven by the following:

    - Coordinated Family Support Services: Decrease of $27 million ($6.6 million General Fund) due to current trends in actual costs and utilization.

    - Social Recreation and Camping Services: Increase of $16.6 million ($10.7 million General Fund) due to current trends in actual costs and utilization.

    - Bilingual Differential for Direct Service Professionals under Ongoing Purchases of Services Items: Decrease of $7.2 million ($4.4 million General Fund) due to updated implementation assumptions.

    - Direct Service Professional Workforce Training and Development: Decrease of $3 million ($2 million General Fund) due to updated implementation assumptions.

    - Updated POS expenditures reflect a net decrease of $233 million ($144.6 million General Fund) compared to the Governor's Budget. The table below displays adjustments by category from the Governor's Budget.

- Updated POS expenditures reflect a net decrease of $233.0 million ($144.6 million General Fund) compared to the Governor's Budget.

Changes to 2024-25 DDS Baseline Budget. The May Revision includes the following changes to the DDS budget for 2024-25:

- The 2024-25 regional center budget includes $14.9 billion ($9.6 billion General Fund), a net increase of $69.9 million ($39.1 million General Fund) compared to the Governor's Budget. This includes a projected $22.4 million increase in regional center operations costs, and $47.5 million increase in purchase of services expenditures.

- The May Revision forecasts a net increase of 6,937 individuals in the regional center caseload in 2024-25 compared to Governor's budget.

- The May Revision includes $1.3 billion ($918.5 million General Fund) for regional center operations, an increase of $9.7 million ($3.4 million General Fund decrease) compared to the Governor's Budget. The increase is primarily attributed to anticipated caseload growth.

- The May Revision includes $268.2 million ($187.9 million General Fund) for policies impacting regional center operations, an increase of $12.6 million ($9.3 million General Fund) compared to the Governor's Budget. Changes from updated policies include:

    - Reduced Caseload Ratio for Children 0-5: Increase of $8 million ($5.2 million General Fund) due to updated service coordinator salary assumptions.

    - Regional Center New Case Management System: Increase of $2.7 million General Fund for one-time resources in 2024- 25.

    - Compliance with HCBS Requirements: Increase of $1.7 million ($1.1 million General Fund) due to updated caseload.

    - Early Start Eligibility: Increase of $287,000 General Fund due to updates in service coordinator salary assumptions.

- The May Revision includes $11.9 billion ($7.6 billion General Fund) for purchase of services, an increase of $44.8 million ($31.4 million General Fund), compared to the Governor's Budget.

- The May Revision state-operated facilities budget for 2024-25 includes $341.6 million ($309.8 million General Fund), a decrease of $7 million ($3.7 million General Fund) compared to the Governor's Budget due to an update to the reimbursement rate for the STAR and CAST services, an updated phase-in of staff for the Complex Needs Residential Program, and Control Section adjustments. Facilities Update:

    - STAR: A fund shift of $3.1 million from reimbursements to General Fund due to updated funding assumptions aligned with actual Federal Financial Participation.

    - CAST: A fund shift of $232,000 from reimbursements to General Fund due to updated funding assumptions aligned with actual Federal Financial Participation.

    - Complex Needs Residential Program: A decrease of $7 million General Fund due to revised development timeline of the homes and the related phased-in staffing assumptions.

Other DDS Budget Adjustments – May Revision. In addition to the cuts described in Issue 1 and the service utilization and caseload related changes described above, the May Revision includes the following budget adjustments for DDS:

- **Reimbursement System Project and Maintenance and Operation Costs**. DDS requests that Item 4300-001-0001 be increased by $3,258,000 in 2024-25, $2,443,000 in 2025-26, and $1,791,000 ongoing beginning in 2026-27 to complete the Reimbursement System Project and support maintenance and operations costs. This request also includes provisional language to make

the level of 2024-25 funding contingent upon approval of the pending Iterative Project Report by the Department of Technology.

- **Reimbursement System Project – Reappropriation**. DDS requests that Item 4300-490 be added to reappropriate $5 million from Item 4300-001-0001, Budget Act of 2021, through June 30, 2025. This request corrects a reappropriation included in the 2022 Budget Act and will support completion of the Reimbursement System Project and maintenance and operations costs.

- **Uniform Fiscal System Modernization and the Consumer Electronic Records Management System Project Planning**. DDS requests that Item 4300-001-0001 be increased by $3,323,000 and reimbursements be increased by $369,000 one-time to support planning for the Uniform Fiscal System Modernization and Consumer Electronic Records Management System projects. It is also requested that Item 4300-101-0001 be increased by $2,665,000 one-time for these purposes.

- **Allocation for Employee Compensation.** DDS requests that Item 4300-001-0001 be increased by $18,000 and reimbursements be increased by $2,000 ongoing to reflect revised employee compensation costs.

- **Allocation for Employee Benefits**. DDS requests that Item 4300-001-0001 be increased by $2,000 ongoing to reflect revised staff benefit costs.

- **State Operated Facilities – Complex Needs Residential Program Update**. DDS requests that Item 4300-001-0001 be decreased by $7,038,000 and 28.8 positions one-time to reflect revised staffing cost assumptions for the program in 2024-25.

- **State Operated Facilities – Population and Staffing May Revision**. DDS requests that Item 4300-001-0001 be increased by $3,286,000 and 16 positions and reimbursements be decreased by $3,286,000 and 16 positions ongoing to reflect revised federal reimbursement assumptions related to the Stabilization Training Assistance Reintegration home program.

- **Regional Centers – Caseload and Utilization May Revision**. DDS requests that Item 4300-101-0001 be increased by $41,210,000 and reimbursements be increased by $32,371,000 ongoing. It is also requested that Item 4300-101-0890 be decreased by $132,000 ongoing. These adjustments reflect updated expenditure estimates in operations and purchase of services driven by caseload and utilization. In addition to adjustments based on caseload and utilization, 2023-24 expenditure estimates also align with proposed changes in the federal Home and Community-Based Services Spending Plan.

- **Language Only**. DDS requests that Provision 2 of Item 4300-101-0001 be amended to change General Fund loan authority from $1,038,350,000 to $1,044,669,000 to reflect revised estimates regarding federal reimbursements.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of significant May Revision caseload and service utilization adjustments to the DDS budget.

2. The May Revision decreases projected 2024-25 expenditures for the department's new Complex Needs Residential Program, which was approved in the 2023 Budget Act, due to revised development timeline of the homes and the related phased-in staffing assumptions. Does the revised timeline also affect the $10.5 million included in the 2023-24 budget for this program? How much of the 2023-24 appropriation has been spent to date and what work has been completed?

3. The May Revision continues increases the budget for Porterville Developmental Center by $20 million in 2024-25 compared to the revised 2023-24 budget. What are the components of this approximately $20 million increase in 2024-25?

Issue 3: Department of Developmental Services – May Revision Trailer Bills

Trailer Bills – Governor's May Revision. The May Revision includes the following new trailer bills under DDS:

- **Provisional Eligibility Assessments.** DDS proposes statutory changes to address efficiencies in the number of assessments required for children referred for early intervention services who may be provisionally eligible for regional center services. At the time of this writing, this trailer bill was not available.

- **Health and Safety Waiver Assistance.** DDS proposes trailer bill to align with the proposed cut to health and safety waiver assistance. At the time of this writing, this trailer bill was not available.

- **Direct Service Professional Internship Program.** DDS proposes trailer bill to align with the proposed cancellation of the Direct Services Professional Internship Program. At the time of this writing, this trailer bill was not available.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of DDS May Revision trailer bills.

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

Issue 1: Department of Community Services and Development – May Revision Overview

Chaptered Legislation – May Revision. The May Revision includes the following adjustment to enable CSD to implement recently chaptered legislation.

- **Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act: AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023**. CSD requests that Item 4700-1010001 be increased by $943,000 one-time to update intake systems to collect self-identification information pertaining to sexual orientation, gender identity, and intersexuality demographic data, including for various Community Services Block Grant subgrantees.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of CSD May Revision budget adjustments.

5160 DEPARTMENT OF REHABILITATION

Issue 1: Department of Rehabilitation – May Revision Overview

Budget Adjustment and Trailer Bill – May Revision. The May Revision includes the following proposal under the Department of Rehabilitation (DOR).

- **Office of Employment First.** CalHHS and DOR request that Item 5160-001-0001 be increased by $1 million and three permanent positions ongoing to reflect the Administration's proposed shift of the Office of Employment First from the California Health and Human Services Agency to DOR.

  DOR also proposes statutory changes for both this purpose and for the purpose of renaming DOR to the California Department of Disability Works, which aims to better reflect the services provided through the department for individuals with disabilities. At the time of this writing, this trailer bill was not available.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the proposal to shift the Office of Employment First, which was established in the 2023 Budget Act, from California Health and Human Services Agency to DOR.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

Issue 1: Department of Child Support Services – May Revision Overview

Budget Adjustment – Governor's May Revision. The May Revision includes the following budget adjustment for Department of Child Support Services (DCSS):

- **Local Assistance Expenditures.** DCSS requests that Item 5175-101-0890 be decreased by $1,501,000 ongoing to update federal fund local assistance expenditures based on additional child support collections data becoming available. It is estimated there will be a corresponding increase in collections received for the federal government's share of child support recoupment.

  DCSS requests that Item 5175-101-8004 (Child Support Collections Recovery Fund) be increased by $1,501,000 ongoing to reflect an estimated increase in collections received for the federal government's share of child support recoupment based on updated child support collections information.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision budget adjustment for DCSS.

Issue 2: Department of Child Support Services – May Revision Trailer Bills

Trailer Bill Language – Governor's May Revision. The May Revision includes the following new trailer bill proposals under DCSS:

- **California Child Support Automation System Annual Reporting Requirements Repeal.** At the time of this writing, this trailer bill was not available.

- **Improved Performance Incentives Repeal.** At the time of this writing, this trailer bill was not available.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision trailer bills for DCSS.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: California Department of Social Services – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following budget solutions under the California Department of Social Services (CDSS):

- **Ends the Child Care Slot Expansion.** The May Revision proposes to end the expansion of over 200,000 new subsidized child care slots agreed to under the 2021 Budget Act. This would limit the total slot expansion to approximately 119,000 total awarded slots. This proposal would involve rescinding final award letters recently issued for 12,000 General Child Care slots budgeted for 2024-25. This generates savings of $489 million in 2024-25, $951 million in 2025-26, and $1.5 billion in 2026-27 and 2027-28.

- **Cuts Funding for the Emergency Child Care Bridge Program.** The May Revision proposes to reduce funding for the Emergency Child Care Bridge Program, which provides subsidized child care slots to children recently placed in foster care on an emergency basis, by $34.8 million ongoing.

- **Uses Federal Funds and Prop 64 (Cannabis Funds) to Offset Child Care General Fund Costs.** The May Revision proposes to offset General Fund supporting child care with various federal and Prop 64 funds. This frees up $596.8 million General Fund in 2023-24 and $375.5 million General Fund in 2024-25.

- **Cuts $195 Million in Funding for Housing Programs Serving Vulnerable Seniors and Children in Foster Care.** The May Revision proposes to cut $50 million from the Housing and Disability Advocacy Program, $80 million from the Bringing Families Home Program, and $65 million from the Home Safe Program. These programs were augmented with significant one-time funding in the 2021 and 2022 budget acts (see the Subcommittee's March 7 and April 25 agenda for more information). The Governor's January budget proposed to delay this funding for these programs to 2025-26; the May Revision instead proposes to cut those amounts.

- **Cuts the CalWORKs Home Visiting Program.** The May Revision cuts the CalWORKs Home Visiting Program by $47.1 million ongoing. The total budget for CalWORKs Home Visiting Services in 2023-24 is $97.6 million.

- **Eliminates CalWORKs Mental Health and Substance Use Disorder Services.** The May Revision eliminates all funding ($127 million ongoing) for CalWORKs mental health and substance use disorder services. This program provides mental health and substance use disorder treatment to CalWORKs participants and was implemented in 1998.

- **Reduces the CalWORKs Single Allocation.** The May Revision proposes to reduce the Employment Services component of the 2024-25 Single Allocation by $272 million General Fund one-time.

- **Proposes Permanent Foster Care Rate Structure be Subject to a "trigger."** The May Revision makes the proposed foster care rate structure subject to a "trigger" based on the availability of General Fund in spring 2026. Current law requires the state to adopt a permanent foster care rate structure by January 1, 2025.

- **Eliminates funding for Foster Care Caregiver Approvals.** The May Revision eliminates $50 million ongoing for county child welfare agencies to complete caregiver approvals for foster caregivers, primarily relative caregivers. This funding was implemented in 2022.

- **Rescinds In-Home Supportive Services (IHSS) Benefits Based on Immigration Status.** The May Revision eliminates the IHSS Medi-Cal benefit for undocumented individuals of all ages, resulting in $94.7 million savings.

- **Eliminates the IHSS Backup Provider System.** The May Revision eliminates the IHSS Backup Provider System, which was implemented in 2022 and provides a way for IHSS recipients to receive backup care, generating $11.6 million in savings ongoing.

- **Reduces $60 Million in Federal Funds from IHSS Career Pathways.** The May Revision reduces federal Home and Community-Based Services spending on the IHSS Career Pathways Program by $60 million. The May Revision proposes to shift the $60 million in federal funds into DDS Rate Reform implementation, which frees up an equal amount of General Fund.

- **Delays California Food Assistance Program Expansion.** The May Revision proposes to delay the planned expansion of the California Food Assistance Program to adults age 55 and over regardless of immigration status to 2027-28. Implementation is currently scheduled for October 2025. This results in approximately $30 million savings in 2024-25 and $114 million in 2025-26.

- **Cancels the CalFresh Minimum Benefit Pilot Program.** The May Revision proposes to cancel the CalFresh Minimum Benefit Pilot Program, which would provide a $50 minimum food benefit to certain households. This was approved in the 2023 Budget Act. This generates $15 million in one-time savings.

- **Eliminates the Work Inventive Nutrition Supplement (WINS) Program**. The May Revision proposes to end the WINS program, which provides a supplemental $10 monthly benefit to approximately 124,000 CalFresh households. The generates $25 million in ongoing savings.

- **Cuts Funding for Adult Protective Services Expansion.** The May Revision cuts funding for the expansion of Adult Protective Services by $40 million ongoing. The Adult Protective Services expansion began in 2021 and increased eligibility and case management for Adult Protective Services cases. Total funding for the APS expansion in 2023-24 is $79.1 million ($69.3 million General Fund).

- **Eliminates Funding for Statewide Training for Adult Protective Services.** The May Revision proposes to eliminate $4.8 million in all ongoing funding for Adult Protective Services Training,

which provides a curriculum for all Adult Protective Services social workers. This program was initially implemented in 2001.

- **Cuts Funding for Rapid Response.** The May Revision proposes to cut $29 million in funding for the Rapid Response program, which funds humanitarian response at the southern border.

CDSS Budget Solution Adopted in Early Action. The Early Action package included the following solutions under CDSS:

- **CalWORKs Single Allocation Unspent Balance from 2022-23.** The Early Action package approved the Governor's proposal to revert the unspent balance ($336 million) of the CalWORKs Single Allocation from 2022-23.

- **Rapid Response Program Carryover.** The Early Action package included a re-appropriation to carry over remaining funding for the Rapid Response Program from the 2021 and 2022 Budget Acts.

Open CDSS Solutions Included in Governor's January Budget. The Governor's January budget includes the following budget solutions under CDSS, which were covered in this Subcommittee on March 7, April 11, and April 25 hearings:

- **Full Withdrawal of the Safety Net Reserve:** Draws down the full Safety Net Reserve ($900 million).

- **CDSS Housing and Homelessness Programs:** Delay of $65 million for the Home Safe Program, $50 million for the Housing and Disability Advocacy Program, and $80 million for the Bringing Families Home Program. These delays have been changed to cuts at May Revision.

- **CalWORKs Single Allocation Eligibility Administration:** Cut of $40.8 million to CalWORKs eligibility administration functions.

- **CalWORKs Family Stabilization Program:** Elimination of the CalWORKs Family Stabilization Program, for $71 million ongoing. The May Revision restores 2023-24 funding to $55 million but continues to eliminate all funding beginning in 2024-25.

- **CalWORKs Subsidized Employment Program:** Elimination of the CalWORKs Subsidized Employment Program, for $134.1 million ongoing. The May Revision restores 2023-24 funding to $134.1 million but continues to eliminate all funding beginning in 2024-25.

- **CalWORKs Employment Services Intensive Case Management:** Freeze of a planned increase to caseworker hours for intensive cases, for $47 million ongoing.

- **Temporary Protected Status Program:** Elimination of the supplemental immigration services funding for those with Temporary Protected Status, for $10 million ongoing.

- **CSU Immigration Legal Services:** Significant reduction of $5.2 million ongoing for immigration legal services for CSU students and families.

- **Supervised Independent Living Placement (SILP) Housing Supplement:** Elimination of $25 million ($18.8 million General Fund) for the SILP Housing Supplement to help transition-age youth in foster care pay for housing.

- **LA Public Health Nursing Early Intervention Program:** Elimination of $8.3 million beginning in 2024-25 to eliminate state funding for LA County's Public Health Nursing Early Intervention Program for children at risk of medical neglect.

- **Family Urgent Response System (FURS):** Elimination of the FURS program, which provides 24/7 support and in-person response to help stabilize a foster care placement, for $30 million ongoing.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes these proposed cuts will have direct impact on families and children living in poverty.

Questions. The Subcommittee requests the Administration respond to the following questions:

1. Please provide an overview of the May Revision solutions proposed for CDSS. For each May Revision solution, please provide background, including if there has been any historical underspending and the number of people served, and describe the programmatic impact of the proposed cut.

2. Child care slot expansion: As part of the proposal to end the child care slot expansion, would the Administration plan to rescind child care slot award letters recently issued in Spring 2024? Where would the Administration derive the authority to rescind slots appropriated by the Legislature in the 2023 Budget Act? Will the Administration spend all remaining federal funds for child care by the federal deadline under the proposed termination of the slot expansion?

3. Foster Care Permanent Rates Structure: How does the May Revision proposal to make the Administration's proposed permanent foster care rate structure subject to a trigger in 2026 fulfill the state's statutory mandate to adopt a new foster care rate structure by January 1, 2025?

4. Resource Family Approval: The state has been moving towards a kin-first culture -- supporting relatives to care for children in their families who must be placed in foster care. The $50 million proposed to be cut supports the casework to complete Resource Family Approvals. Will this cut undermine the child welfare system's ability to keep children connected to their families?

5. Emergency Child Care Bridge: Would the Administration's proposal to terminate the slot expansion plan affect the projected underspend of the Emergency Child Care Bridge program in future years?

6. IHSS: How would the Administration plan to execute the proposal to rescind IHSS benefits from undocumented individuals? Has the Administration also considered the potentially higher costs if individuals who lose access to IHSS rely instead on institutional care?

Issue 2: California Department of Social Services – May Revision Overview

Overview – May Revision. The total budget for CDSS at May Revision is $49.3 billion ($19.4 billion General Fund). The overall 2024-25 CDSS budget at May Revision includes a total fund increase largely due to caseload growth, offset by a decrease of $1.9 billion General Fund, reflecting the Governor's proposed solutions described in Issue 1, notably the proposed termination of the child care slot expansion.

May Revision CDSS Caseload Adjustments. The May Revision proposes a net ongoing increase of $1.96 billion in 2024-25 that primarily results from updated caseload estimates since the Governor's Budget, composed of a $755.2 million ongoing decrease to General Fund, a $1.96 billion ongoing increase to federal funds, a $27,000 ongoing decrease to special funds, and a $754 million ongoing increase to reimbursements. Caseload and workload changes since the Governor's Budget are displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001	(799,802,000)
	5180-101-0890	665,010,000
Child Care	5180-101-0001	(159,450,000)
	5180-101-0890	126,527,000
	5180-104-0001	(368,000)
	Reimbursements	2,442,000
Kinship Guardianship Assistance Payment	5180-101-0001	(145,000)
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	(31,357,000)
In-Home Supportive Services (IHSS)	5180-111-0001	104,445,000
	Reimbursements	723,748,000
Other Assistance Payments	5180-101-0001	76,926,000
	5180-101-0122	(27,000)
	5180-101-0890	1,034,869,000
	5180-101-8075	-
	Reimbursements	-
County Administration and Automation Projects	5180-141-0001	50,152,000
	5180-141-0890	34,467,000
	Reimbursements	25,968,000
Child Welfare Services	5180-151-0001	3,612,000
	5180-151-0890	21,320,000
Special Programs	5180-151-0001	799,000
Adult Protective Services	Reimbursements	81,000
Realigned Programs		
Adoption	5180-101-0001	-
	5180-101-0890	81,242,000
Foster Care	5180-101-0001	-
	5180-101-0890	(4,140,000)
	5180-141-0890	3,515,000
Child Welfare Services	5180-151-0001	-
	5180-151-0890	(991,000)
	Reimbursements	1,559,000
Adult Protective Services	Reimbursements	205,000

The following chart summarizes CDSS caseload projections at May Revision:

CDSS CASELOAD PROJECTIONS

Program	FY 2023-24 Caseload	FY 2024-25 Caseload	CY to BY % Change
CalWORKs	348,621	354,772	1.8%
CalFresh	3,063,889	3,089,948	0.9%
California Food Assistance Program (CFAP)	54,658	58,838	7.6%
CalWORKs Child Care	135,736	141,062	3.9%
IHSS	664,958	703,921	5.9%
SSI/SSP	1,099,947	1,076,332	-2.1%
Cash Assistance Program for Immigrants (CAPI)	15,333	15,976	4.2%
Child Welfare Services (CWS)	112,756	111,518	-1.1%
Foster Care (FC)	46,114	45,358	-1.6%
Adoption	86,941	87,087	0.2%
Kin-GAP	17,634	17,609	-0.1%

Source: CDSS

Other CDSS Budget Adjustments – May Revision. In addition to the cuts described in Issue 1, the May Revision includes the following budget adjustments for CDSS:

- **Maintenance of County Expense Claim Reporting Information System**. CDSS requests that Item 5180-001-0001 be increased by $730,000 and four positions in 2024-25 and $533,000 and four positions in 2025-26 and ongoing to continue maintenance and operations activities for the County Expense Claim Reporting Information System. CDSS requests that Item 5180-001-0890 be increased by $183,000 in 2024-25 and $356,000 in 2025-26 and ongoing for this purpose.

- **Summer EBT**. CDSS requests that Item 5180-001-0001 be increased by $1,253,000 in 2024-25, $1,234,000 in 2025-26 and ongoing to assist with program support for the Summer EBT program (now known as Sun Bucks.)

- **Child Welfare Training Program: Funding Shift from Local Assistance to State Operations.** CDSS requests that Item 5180-001-0001 be increased by $210,000 and 1.2 positions in 2024-25 and $205,000 and 1.2 positions in 2025-26 and ongoing, to continue to support statewide coordination for the Child Welfare Training Program in compliance with federal requirements. CDSS requests that Item 5180-001-0890 be increased by $142,000 in 2024-25 and $139,000 in 2025-26 and ongoing, and 0.8 positions, for this purpose. These adjustments reflect a net-zero shift of existing funds for this program from local assistance to state operations.

- **Guardian Background Check System Maintenance and Operations.** CDSS requests that Item 5180-001-0001 be increased by $312,000 in 2024-25 and 2025-26, and $612,000 in 2026-27, on a limited-term basis, for increased maintenance and operations costs for the existing Guardian Background Check System.

- **Preschool Development Grant Reimbursement Authority.** CDSS requests that Item 5180-001-0890 be increased by $328,000 one-time to allow the Department of Social Services to assist the California Health and Human Services Agency with the administration of the Preschool Development Grant. Additionally, CDSS requests that provisional language be added to allow the Department of Finance to adjust expenditure authority to Schedule (1) for future Preschool Development Grant awards.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity.** CDSS requests that provisional language be added to Item 5180-001-0001 to allow the Department of Finance to augment this item for costs associated with participation in the FRA Pilot no sooner than 30 days after notification in writing is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chair of the Joint Legislative Budget Committee if the State of California is selected for participation in the work outcomes pilot pursuant to section 302 of H.R. 3746, the Fiscal Responsibility Act.

- **Provisional Language Only: Able-Bodied Adult without Dependents Rule**. CDSS requests that provisional language be added to Items 5180-001-0001 and 5180-001-0890 to allow the Department of Finance to increase expenditure authority in this item up to $250,000 to comply with the federal Able-Bodied Adult without Dependents rule if State Operations resources are necessary.

- **CalWORKs AB 85 Maximum Aid Payment Increase.** CDSS requests that Item 5180-101-0001 be increased by $12,522,000 ongoing to reflect a 0.3 percent increase to the CalWORKs Maximum Aid Payment levels. The increased grant costs are funded entirely by 1991 Realignment revenue in the Child Poverty and Family Supplemental Support Subaccount. This replaces the 0.8 percent grant increase projected at Governor's budget.

- **Elimination of Comparable Disqualification**. CDSS requests that Item 5180-101-0001 be increased by $80,000 in 2024-25 and ongoing and Item 5180-141-0001 be decreased by $206,000 in 2024-25 and ongoing, and Item 5180-141-0890 be decreased by $308,000 in 2024-25 and ongoing as a result of the elimination of Welfare-to-Work comparable disqualification to align the California Food Assistance Program and CalFresh policy.

- **Federal Reporting and Communication Requirements with National Center for Missing and Exploited Children.** CDSS requests that Item 5180-151-0001 be increased by $432,000 ongoing for additional workload for county child welfare agencies and probation departments to comply with additional federal reporting and communication requirements when reporting missing youth. CDSS requests that Item 5180-151-0890 be increased by $311,000 ongoing for this purpose. CDSS requests that statutory changes be added for these purposes.

- **Los Angeles County Child Welfare Stabilization.** CDSS requests that Item 5180-495 be amended to eliminate a reversion proposed at Governor's Budget that is no longer feasible.

- **Child Welfare Training Program: Funding Shift from Local Assistance to State Operations.** CDSS requests that Item 5180-151-0001 be decreased by $210,000 in 2024-25 and $205,000 in 2025-26 and ongoing to shift funds to state operations to continue to support statewide coordination for the Child Welfare Training Program in compliance with federal requirements. CDSS requests that Item 5180-151-0890 be decreased by $142,000 in 2024-25 and $139,000 in 2025-26 and ongoing for the same purpose. These adjustments reflect a net-zero shift of existing funds for this program from local assistance to state operations.

- **Foster Care Rate Reform Automation.** CDSS requests that Item 5180-141-0001 be increased by $2,465,000 one-time to update foster care rate reform automation costs proposed at Governor's Budget.

- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Reappropriation**. CDSS requests that Item 5180-494 be amended to reappropriate up to $2,657,000 General Fund for an additional year for workforce training and county readiness activities to support implementation of Child and Family Teams for family maintenance cases associated with the implementation of BH-CONNECT.

- **Provisional Language Only: Family First Prevention Services Reappropriation.** CDSS requests that Item 5180-493 be amended to reflect a technical change to correct the item number for the State Block Grant in support of the Family First Prevention Services Act.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity.** CDSS requests that provisional language be added to Item 5180-101-0001 to allow the Department of Finance to increase expenditure authority in this item up to $2.4 million to implement the Fiscal Responsibility Act Pilot (Federal H.R. 3746) if California is selected to participate in the FRA pilot.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity**. CDSS requests that provisional language be added to Item 5180-141-0001 to allow the Department of Finance to augment this item for costs associated with participation in the FRA pilot upon selection of the State of California for participation in the pilot pursuant to section 302 of H.R. 3746, the Fiscal Responsibility Act.

Chaptered Legislation – May Revision. The May Revision includes the following adjustments to enable CDSS to implement recently chaptered legislation.

- **Daycare Facilities: Incidental Medical Services Plan**, Chapter 631, Statutes of 2023 (SB 722). CDSS requests that Item 5180-001-0001 be increased by $173,000 and one position in 2024-25, and by $169,000 in 2025-26 and 2026-27 to implement the legislation.

- **Firearms in Family Child Care Homes**, Chapter 249, Statutes of 2023 (SB 2). CDSS requests that Item 5180-001-0001 be increased by $162,000 and one position in 2024-25, 2025-26, and 2026-27 to implement the legislation.

- **Paid Sick Leave Implementation:** Chapter 309, Statutes of 2023 (SB 616). CDSS requests that Item 5180-111-0001 be increased by $17,319,000 ongoing and reimbursements be increased by $21,024,000 ongoing to implement the legislation.

- **Facility Management System (FMS) Project Planning Resources Reappropriation**. CDSS requests d that Item 5180-492 be amended to reappropriate up to $5 million from Item 5180-001-0001 of the 2021 Budget Act and up to $3 million from Item 5180-001-0001 of the 2022 Budget Act to support planning efforts of the FMS project.

- **Juvenile Court - Dependents Removal**, Chapter 618, Statutes of 2023 (SB 578). CDSS requests that Item 5180-151-0001 be increased by $1,161,000 in 2024-25 and ongoing to implement the legislation.

- **Assuring Services for Family Reunification**, Chapter 458, Statutes of 2023 (AB 937). CDSS requests that Item 5180-151-0001 be increased by $933,000 in 2024-25 and ongoing to implement the legislation.

- **Childcare Dual Language Learners,** Chapter 435, Statutes of 2023 (AB 393) CDSS requests that Item 5180-001-0001 be increased by $764,000 and four positions in 2024-25 and $742,000 and four positions ongoing beginning in 2025-26, and Item 5180-101-0001 be increased by $297,000 ongoing to implement the legislation.

- **Lesbian, Gay, Bisexual, Transgender Disparities Reduction Act**, Chapter 832, Statutes of 2023 (AB 1163). CDSS requests that Item 5180-141-0001 be increased by $519,000 one-time in 2024-25 to implement the legislation.

- **Cal-Learn Pregnancy or Parenting,** Chapter 615, Statutes of 2023 (SB 521). CDSS requests that Item 5180-141-0001 be increased by $294,000 one-time to implement the legislation.

- **Cal-Learn Sanctioned Grants Repeal,** Chapter 615, Statutes of 2023 (SB 521). CDSS requests that Item 5180-101-0001 be increased by $18,000 in 2024-25 and $37,000 in 2025-26 and ongoing to implement the legislation.

- **Family Reunification Services for Financial Hardship Noncompliance**, Chapter 552, Statutes of 2023 (AB 954). CDSS requests that Item 5180-151-0001 be increased by $1,866,000 ongoing. It is also requested that Item 5180-151-0890 be increased by $673,000 ongoing.

- **Pupil Meals**, Chapter 600, Statutes of 2023 (SB 348). CDSS requests that Item 5180-001-0001 be increased by $907,000 in 2024-25 and $883,000 in 2025-26 and ongoing to implement the legislation.

- **Refugee Internet Resources**, Chapter 399, Statutes of 2023 (SB 465). CDSS requests that Item 5180-151-0001 be increased by $82,000 in 2023-24 to implement the legislation.

- **Elderly and Dependent Adult Abuse - Mandated Reporting**: Chapter 580, Statutes of 2023 (AB 1417). CDSS requests that Item 5180-001-0001 be increased by $173,000 in 2024-25 and $169,000 in 2025-26 on a limited-term basis to implement the legislation.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the CDSS May Revision budget and caseload adjustments for CDSS.

Issue 3: California Department of Social Services – May Revision Trailer Bills

Trailer Bills – Governor's May Revision. The May Revision includes the following new trailer bills under CDSS:

- **Permanent Foster Care Rate Structure.** This trailer bill makes various changes to the department's proposed permanent foster care rate structure based on stakeholder feedback received after the initial version was published in February.

- **Information Sharing for Small Family Child Care Homes.** This trailer bill seeks to amend Health and Safety Code section 1596.86 to increase the accessibility and transparency of licensed small family daycare home information. It would bring CDSS into compliance with federal funding requirements for consumer and provider education by making specified information for licensed small family daycare homes publicly available to parents searching for child care options for their children. This language also proposes to make technical conforming changes to Government Code section 7927.305.

- **Facility Inclusion for Community Care Expansion Preservation Program.** This trailer bill authorizes CDSS to accept an alternative legally enforceable agreement in lieu of a deed restriction for a facility awarded Community Care Expansion (CCE) funding and that seeks to receive Capitalized Operating Subsidy Reserve (COSR) funds, to demonstrate the requirement to provide licensed residential care for at least the term of the reserve. This statutory amendment will allow licensed facility operators who have operational gaps and are at risk of closure to have greater access to operational funds from the CCE program. This change helps restore equity between facility operators who own their facility and those who lease the property where they operate their licensed facility, particularly for operators participating in the CCE Preservation Program. No budgetary resources are required to enact this proposed amendment.

- **Federal Reporting and Communication Requirements with National Center for Missing and Exploited Children.** This trailer bill would update state law to (1) mirror the additional federal reporting and communication requirements on states, for county child welfare agencies and probation departments when reporting missing youth to law enforcement authorities for entry into the National Crime Information Center (NCIC) database and the National Center for Missing and Exploited Children (NCMEC), and (2) clarify counties are authorized to share information from juvenile case files with the NCMEC, a nonprofit entity.

- **Specialized Care Increment Eligibility.** This trailer bill would allow Tribes with a Title IV-E agreement with the state to create their own Specialized Care Increment (SCI) rate-setting system for children under their jurisdiction. The proposed changes also explicitly clarify that children under county jurisdiction placed in a tribally approved home may receive the county's SCI, where applicable.

- **Resource Family Approval Program Alignment with Emergency Caregiver Funding Program.** This trailer bill would align the 90-day Resource Family Approval (RFA) application processing time frame with the 120-day Emergency Caregiver (EC) Funding time frame.

- **State and Federal Kinship Guardianship Assistance Payment Program Alignment.** This trailer bill would: (1) eliminate the $10,000 cash savings and personal property asset limits for children and nonminor beneficiaries of the state- and federally-funded Kinship Guardianship Assistance Payment (Kin-GAP) programs and (2) clarify income and property received after the start date of aid shall be disregarded. These limits are not required by federal law and are barriers to saving for a successful transition to adulthood for children and non-minors who receive Kin-GAP benefits.

- **Excellence in Family Finding, Engagement, and Support Program.** This trailer bill would authorize a participating county or tribe in the Excellence in Family Finding, Engagement, and Support (EFFES) Program, which does not have sufficient caseload, as determined by the California Department of Social Services (CDSS), for a full-time family-finding worker to submit a written request to CDSS for authorization to use program funding for a portion of a full-time position for family-finding activities. This helps alleviate challenges for small counties and tribes and removes a barrier preventing these counties and tribes from accessing one-time funding for the program.

- **SNAP Reimbursement.** Existing law provides for the establishment of a statewide electronic benefits transfer (EBT) system, administered by the State Department of Social Services, for the purpose of providing financial and nutrition assistance benefits. Existing state regulations, under the 2020 *Ortega v. Johnson* appellate court ruling, allow for the replacement of CalFresh food benefits, known federally as the Supplemental Nutrition Assistance Program (SNAP), and California Food Assistance Program (CFAP) food benefits that have been stolen via electronic theft using state funds. Existing federal law provides for the replacement of SNAP benefits, and Disaster SNAP benefits, known in California as Disaster CalFresh, that have been stolen via electronic theft, such as EBT card skimming, cloning, scamming, and other similar fraudulent methods between October 1, 2022 through September 30, 2024 using federal funds. This trailer bill codifies the policy for reimbursing electronically stolen CalFresh food benefits that was established under federal guidance, thereby overriding the former state benefit replacement policy established as a result of the *Ortega* court ruling and allowing for continuity of the current policy. The proposal also stops state-funded replacements of stolen CalFresh, if at any point federally funded replacements are again available.

- **Tribal Nutrition Assistance Program.** This trailer bill would remove language referencing the Food Distribution Program on Indian Reservations (FDPIR) from the Tribal Nutrition Assistance Program (TNAP) authorizing statute in Welfare and Institutions Code Section 18936. Removal of the FDPIR verbiage from statute ensures access to TNAP funds to combat food insecurity in Native American communities across California, as intended when TNAP was authorized.

- **CalWORKs Intensive Case Management Hourly Increase Pause.** This trailer bill removes the requirement that intensive case management hours budgeted per case per month increase from 8.75 to 10 hours for 2024-25. This aligns with the proposed Governor's Budget solution to freeze case management hours, generating $47 million in ongoing savings.

- **California Food Assistance Program (CFAP) Elimination of Comparable Disqualification.** This trailer bill would eliminate the Welfare-to-Work (WTW) comparable disqualification policy for the California Food Assistance Program (CFAP) to maintain alignment with current CalFresh

policy and ensure equity between CFAP and CalFresh recipients. CalFresh is set to eliminate comparable disqualifications for WTW sanctions effective August 1, 2024. Currently, the change proposed is set to occur in 2027-28. This trailer bill would expedite eliminating the requirement in order to avoid CFAP and CalFresh misalignment.

- **Family Reunification Delay Implementation.** AB 135 (Chapter 85, Statutes of 2021) enhanced CalWORKs Family Reunification (FR) services by authorizing a cash grant and child care services to families who have a child removed from the home and have been determined eligible for FR, effective July 1, 2022. Due to unforeseen challenges in implementing these policy changes, CDSS did not issue the instructions until November 2023 through All County Letter (ACL) 23-94, which initiated the CalSAWS automation process. CalSAWS notified CDSS that automation is anticipated to be completed in November 2024. This proposal seeks to extend the implementation date of eligibility for the cash grant and child care services from July 1, 2022, to July 1, 2024, or when CalSAWS is able to automate the features necessary for implementation, to be consistent with the updated timing of implementation.

- **CalWORKs MAP Increase.** This trailer bill would effectuate the 0.3 percent increase to the CalWORKs Maximum Aid Payment, effective October 1, 2024. This is a smaller amount than the 0.8 percent grant increase projected at Governor's Budget.

- **Data Sharing to Quantify the Impacts of the Safety Net on the Whole Californian**. This trailer bill provides statutory authority for CDSS to receive data to measure and report outcomes related to housing stability of Californians currently or potentially participating in CDSS programs, including but not limited to CalFresh, CalWORKs, housing and homelessness programs, and Guaranteed Income.

- **California Food Assistance Program (CFAP) Overissuance Retention Rates.** At the time of this writing, this trailer bill was pending.

- **IHSS Permanent Backup Provider System.** This trailer bill would sunset existing law establishing the statewide permanent backup provider system to implement the May Revision proposal to eliminate funding for this program.

- **Work Incentive Nutrition Supplement (WINS) Program**. At the time of this writing, this trailer bill was pending.

- **IHSS for Undocumented Individuals.** At the time of this writing, this trailer bill was pending.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of CDSS May Revision trailer bills.

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Part A: Human Services May Revision Issues

Monday, May 20, 2024
9:00am
1021 O Street – Room 1200

Consultant: Elizabeth Schmitt

Item **Department** **Page**

PUBLIC COMMENT

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

5180 DEPARTMENT OF SOCIAL SERVICES

Issue 1: Child Care – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following child care budget solutions under the California Department of Social Services (CDSS):

- **Ends the Child Care Slot Expansion.** The May Revision proposes to end the expansion of over 200,000 new subsidized child care slots agreed to under the 2021 Budget Act. This would limit the total slot expansion to approximately 119,000 total awarded slots. This proposal would involve rescinding final award letters recently issued for 12,000 General Child Care slots. This generates savings of $489 million in 2024-25, $951 million in 2025-26, and $1.5 billion in 2026-27 and 2027-28.

- **Cuts Funding for the Emergency Child Care Bridge Program.** The May Revision proposes to reduce funding for the Emergency Child Care Bridge Program, which provides subsidized child care slots to children recently placed in foster care on an emergency basis, by $34.8 million ongoing.

- **Uses Federal Funds and Prop 64 (Cannabis Funds) to Offset Child Care General Fund Costs.** The May Revision proposes to offset General Fund supporting child care with various federal and Prop 64 funds. This frees up $596.8 million General Fund in 2023-24 and $375.5 million General Fund in 2024-25.

Approximately $89 million in Unspent Federal Funds for Child Care. The May Revision proposes to utilize remaining federal relief funds and Prop 64 funds to offset General Fund supporting child care. This creates net General Fund savings. However, the Administration estimates that some federal funds for child care may go unspent in 2023-24. This includes:

- *$19 million in ARPA Discretionary Funds.* The Administration projects approximately $19 million in federal ARPA funds will revert to the federal government at the end of the federal fiscal year (September 2024). ARPA Discretionary funds were obligated by September 2023 to support slot expansion, reimbursement flexibilities, infrastructure grants, child care data system, and CDE after school program.

- *$70 million in federal Child Care and Development Fund (CCDF) dollars.* The Administration estimates that approximately $70 million in federal CCDF dollars for 2023-24 could go unspent in 2023-24. The state has a longer timeline to obligate these funds, so they will not revert to the federal government at the end of the fiscal year. In general, the federal government requires CCDF funds be used to supplement, not supplant, state General Fund; if the slot expansion is indefinitely paused as proposed at the May Revision, it is unclear if the state would have the opportunity to expend these funds.

Approximately $60 million in New Federal Child Care Funding Anticipated from Federal Government this summer. As a result of recent federal actions, California is expected to receive an additional approximately $60 million in new CCDF dollars for the September 2023- September 2024 grant year. The federal government has posted initial award amounts to states, and these funds are likely to be available in the first quarter of 2024-25; however, the state has not officially received these funds and anticipates receiving them in July or August of 2024.

Subcommittee Staff Comment and Recommendation – Hold Open. Last year, the LAO identified about $550 million in federal relief funds that were at risk of reverting to the federal government by the September 30, 2023 federal deadline. To avoid that outcome, the Legislature worked with the administration to carry over these unspent funds into 2023-24 and prioritize the use of expiring federal relief funds prior to using other fund sources, including the General Fund. Given the May Revision proposes to pull back on existing commitments to fund the slot expansion, including award letters that have already been issued to providers, avoiding any reversion of federal funds will again be critical.

Questions. The Subcommittee requests the Administration respond to the following:

1. What are the allowable purposes for the $19 million in projected remaining federal ARPA funds? Does the state have any options to shift these funds into allowable federal purposes to avoid these dollars reverting to the federal government? If the slot expansion were not paused, would the state have more options for spending these funds?

2. What are the state's options to spend the approximately $70 million in previously awarded CCDF funds that are projected to go unspent? When do these funds need to be obligated, and what are the allowable purposes? Could these dollars be obligated and then spent to continue the slot expansion? Would the May Revision proposal to indefinitely pause the slot expansion impact the state's ability to spend these funds?

3. Could the Legislature preemptively account for the anticipated $60 million in new federal CCDF funds as part of the 2024-25 budget? What are the potential uses of these funds? Would the May Revision proposal to indefinitely pause the slot expansion also impact the state's ability to spend these funds?

Issue 2: CalWORKs – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following CalWORKs budget solutions under CDSS:

- **Cuts the CalWORKs Home Visiting Program.** The May Revision cuts the CalWORKs Home Visiting Program by $47.1 million ongoing. The total budget for CalWORKs Home Visiting Services in 2023-24 is $97.6 million.

- **Eliminates CalWORKs Mental Health and Substance Use Disorder Services.** The May Revision eliminates all funding ($127 million ongoing) for CalWORKs mental health and substance use disorder services. This program provides mental health and substance use disorder treatment to CalWORKs participants and was implemented in 1998.

- **Reduces the CalWORKs Single Allocation.** The May Revision proposes to reduce the Employment Services component of the 2024-25 Single Allocation by $272 million General Fund one-time.

CalWORKs Budget Solution Adopted in Early Action. The Early Action package included the following solutions under CDSS:

- **CalWORKs Single Allocation Unspent Balance from 2022-23.** The Early Action package approved the Governor's proposal to revert the unspent balance ($336 million) of the CalWORKs Single Allocation from 2022-23.

Open CalWORKs Solutions Included in Governor's January Budget. The Governor's January budget includes the following budget solutions under CDSS, which were covered in this Subcommittee on April 11:

- **Full Withdrawal of the Safety Net Reserve:** Draws down the full Safety Net Reserve ($900 million).

- **CalWORKs Single Allocation Eligibility Administration:** Cut of $40.8 million to CalWORKs eligibility administration functions.

- **CalWORKs Family Stabilization Program:** Elimination of the CalWORKs Family Stabilization Program, for $71 million ongoing. The May Revision restores 2023-24 funding to $55 million but continues to eliminate all funding beginning in 2024-25.

- **CalWORKs Subsidized Employment Program:** Elimination of the CalWORKs Subsidized Employment Program, for $134.1 million ongoing. The May Revision restores 2023-24 funding to $134.1 million but continues to eliminate all funding beginning in 2024-25.

- **CalWORKs Employment Services Intensive Case Management:** Freeze of a planned increase to caseworker hours for intensive cases, for $47 million ongoing.

Subcommittee Staff Comment and Recommendation – Hold Open. These solutions were discussed at the Subcommittee's May 16 hearing.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please describe current and prior year utilization, expenditures, and number of families reached through CalWORKs Home Visiting Program. What are the outcomes of this program? What is the anticipated impact of this proposed cut? How much does the Administration project will be spent from this appropriation by the end of 2023-24?

2. Please describe current and prior year utilization, expenditures, and number of families reached through CalWORKs Mental Health and Substance Use Treatment program. What are the outcomes of this program? What is the anticipated impact of this proposed cut? How much does the Administration project will be spent from this appropriation by the end of 2023-24?

3. What does the Administration anticipate to be the combined impact of the $40.8 million ongoing cut to the CalWORKs Single Allocation proposed at the Governor's Budget and the additional one-time $272 million cut to the CalWORKs Single Allocation proposed at May Revise? Will these cuts to the Single Allocation impact access to CalWORKs benefits and services?

Issue 3: Child Welfare – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following child welfare budget solutions under CDSS:

- **Eliminates $50 million ongoing funding for Resource Family Caregiver Approvals.** The May Revision eliminates $50 million ongoing for county child welfare agencies to complete caregiver approvals for foster caregivers, primarily relative caregivers. This funding was implemented in 2022.

- **Proposes Permanent Foster Care Rate Structure be Subject to a "trigger."** The May Revision makes the proposed permanent foster care rate structure subject to a "trigger" based on the availability of General Fund in spring 2026. Current law requires the state to adopt a permanent foster care rate structure by January 1, 2025.

- **Cuts $80 million from the Bringing Families Home Program, originally proposed to be delayed to 2025-26.** The Bringing Families Home program provides support maintaining and securing stable housing for families involved in the child welfare system who are homeless or at risk of experiencing homelessness. A recent evaluation of this program found that participation in the program increased family reunification among families with children in foster care when they began receiving services through Bringing Families Home. Bringing Families Home was supported by one-time multi-year investments in the Budget Acts of 2021 and 2022 (see the Subcommittee's April 25 agenda for more information). This solution was proposed as a delay at Governor's Budget and is now proposed as a cut. When remaining 2021 and 2022 funding for this program expires in 2025, this program will end.

Open Child Welfare Solutions Included in Governor's January Budget. The Governor's January budget includes the following budget solutions under CDSS, which were covered in this Subcommittee on April 25:

- **Supervised Independent Living Placement (SILP) Housing Supplement:** Elimination of $25 million ($18.8 million General Fund) for the SILP Housing Supplement to help transition-age youth in foster care pay for housing.

- **LA Public Health Nursing Early Intervention Program:** Elimination of $8.3 million beginning in 2024-25 to eliminate state funding for LA County's Public Health Nursing Early Intervention Program for children at risk of medical neglect.

- **Family Urgent Response System (FURS):** Elimination of the FURS program, which provides 24/7 support and in-person response to help stabilize a foster care placement, for $30 million ongoing.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision solutions proposed for CDSS child welfare. For each May Revision solution, please provide background, including if there has been any historical underspending and the number of people served, and describe the programmatic impact of the proposed cut.

2. The state has been moving towards a kin-first culture -- supporting relatives to care for children in their families who must be placed in foster care. The $50 million proposed to be cut supports the casework to complete Resource Family Approvals. Will this cut undermine the child welfare system's ability to keep children connected to their families?

3. How does the May Revision proposal to make the Administration's proposed permanent foster care rate structure subject to a trigger in 2026 fulfill the state's statutory mandate to adopt a new foster care rate structure by January 1, 2025?

Issue 4: In-Home Supportive Services – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following In-Home Supportive Services (IHSS) budget solutions under CDSS:

- **Rescinds In-Home Supportive Services (IHSS) Benefits Based on Immigration Status.** The May Revision eliminates the IHSS Medi-Cal benefit for undocumented individuals of all ages, resulting in $94.7 million savings.

- **Eliminates the IHSS Backup Provider System.** The May Revision eliminates the IHSS Backup Provider System, which was implemented in 2022 and provides a way for IHSS recipients to receive backup care, generating $11.6 million in ongoing savings.

- **Reduces $60 Million in Federal Funds from IHSS Career Pathways.** The May Revision reduces federal Home and Community-Based Services spending on the IHSS Career Pathways Program by $60 million. The May Revision proposes to shift the $60 million in federal funds into DDS Rate Reform implementation, which frees up an equal amount of General Fund. Of the $295 million in federal funds originally allocated for IHSS Career Pathways Program, approximately $203.5 million remained as of March 31, 2024. Also as of March 31, 2024, 18,509 providers have completed at least one training class and CDSS has processed 443,635 claims for training time, as well as the following numbers of incentive payments:

    - Incentive 1 (15 hours) – 19,500
    - Incentive 2 (1 month) – 2,255
    - Incentive 3 (6 month) – 860

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision solutions proposed for IHSS. For each May Revision solution, please provide background, including if there has been any historical underspending and the number of people served, and describe the programmatic impact of the proposed cut.

2. How would the Administration plan to execute the proposal to rescind IHSS benefits from undocumented individuals? Has the Administration also considered the potentially higher costs if individuals who lose access to IHSS rely instead on institutional care?

Issue 5: CalFresh and Food Programs – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following budget solutions under CalFresh and Food Programs:

- **Delays California Food Assistance Program Expansion.** The May Revision proposes to delay the planned expansion of the California Food Assistance Program to adults age 55 and over regardless of immigration status to 2027-28. Implementation is currently scheduled for October 2025. This results in approximately $30 million savings in 2024-25 and $114 million in 2025-26.

- **Cancels the CalFresh Minimum Benefit Pilot Program.** The May Revision proposes to cancel the CalFresh Minimum Benefit Pilot Program, which would provide a $50 minimum food benefit to certain households. This was approved in the 2023 Budget Act. This generates $15 million in one-time savings.

- **Eliminates the Work Inventive Nutrition Supplement (WINS) Program**. The May Revision proposes to end the WINS program, which provides a supplemental $10 monthly benefit to approximately 124,000 CalFresh households. This generates $25 million in ongoing savings.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision solutions proposed for CalFresh and food programs. For each May Revision solution, please provide background, including if there has been any historical underspending and the number of people served, and describe the programmatic impact of the proposed cut.

Issue 6: Adult Protective Services and CDSS Housing Programs – May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following budget solutions under Adult Protective Services:

- **Cuts Funding for Adult Protective Services Expansion.** The May Revision cuts funding for the expansion of Adult Protective Services by $40 million ongoing. The Adult Protective Services expansion began in 2021 and increased eligibility and case management for Adult Protective Services cases. Total funding for the APS expansion in 2023-24 is $79.1 million ($69.3 million General Fund).

- **Eliminates Funding for Statewide Training for Adult Protective Services.** The May Revision proposes to eliminate $4.8 million in all ongoing funding for Adult Protective Services Training, which provides a curriculum for all Adult Protective Services social workers. This program was initially implemented in 2001.

- **Cuts $65 Million from the Home Safe Program and $50 million from the Housing and Disability Advocacy Program.** The May Revision proposes to cut $65 million from the Home Safe Program, which provides housing support to adults in Adult Protective Services, and $50 million from the Housing and Disability Advocacy Program (HDAP), which provides housing and help applying for federal disability benefits for older and disabled adults. These programs were augmented with significant one-time funding in the 2021 and 2022 budget acts (see the Subcommittee's March 7 agenda for more information). The Governor's January budget proposed to delay this funding for these programs to 2025-26; the May Revision instead proposes to cut those amounts. HDAP is supported by $25 million in ongoing funds; however Home Safe has no ongoing fund source and the program would come to an end in 2025. These solutions were covered in the Subcommittee's May 16 hearing.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of the May Revision solutions proposed for Adult Protective Services. For each May Revision solution, please provide background, including if there has been any historical underspending and the number of people served, and describe the programmatic impact of the proposed cut.

Issue 7: Immigration and Equity Programs – May Revision Solution

Budget Solution – Governor's May Revision. The Governor's May Revision includes the following budget solution under the Rapid Response Program:

- **Cuts Funding for Rapid Response Program.** The May Revision proposes to cut $29 million in funding for the Rapid Response program, which funds humanitarian response at the southern border. The Early Action package included a re-appropriation to carry over remaining funding for the Rapid Response Program from the 2021 and 2022 Budget Acts.

Open CDSS Solutions Included in Governor's January Budget. The Governor's January budget includes the following budget solutions under CDSS, which were covered in this Subcommittee on April 11:

- **Temporary Protected Status Program:** Elimination of the supplemental immigration services funding for those with Temporary Protected Status, for $10 million ongoing.

- **CSU Immigration Legal Services:** Significant reduction of $5.2 million ongoing for immigration legal services for CSU students and families.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following questions:

1. Please provide an overview of the May Revision proposal to cut $29 million in Rapid Response program funds. These funds were recently re-appropriated in early action with the intention of allowing previously appropriated funding to continue supporting critical sheltering and humanitarian operations and the southern border. What is the anticipated impact of this cut on shelter services and operations?

Issue 8: California Department of Social Services – May Revision Overview

Overview – May Revision. The total budget for CDSS at May Revision is $49.3 billion ($19.4 billion General Fund). The overall 2024-25 CDSS budget at May Revision includes a total fund increase largely due to caseload growth, offset by a decrease of $1.9 billion General Fund, reflecting the Governor's proposed solutions described in the previous issues, notably the proposed termination of the child care slot expansion.

May Revision CDSS Caseload Adjustments. The May Revision proposes a net ongoing increase of $1.96 billion in 2024-25 that primarily results from updated caseload estimates since the Governor's Budget, composed of a $755.2 million ongoing decrease to General Fund, a $1.96 billion ongoing increase to federal funds, a $27,000 ongoing decrease to special funds, and a $754 million ongoing increase to reimbursements. Caseload and workload changes since the Governor's Budget are displayed in the following table:

Program	Item	Change from Governor's Budget
California Work Opportunity and Responsibility to Kids (CalWORKs)	5180-101-0001	(799,802,000)
	5180-101-0890	665,010,000
Child Care	5180-101-0001	(159,450,000)
	5180-101-0890	126,527,000
	5180-104-0001	(368,000)
	Reimbursements	2,442,000
Kinship Guardianship Assistance Payment	5180-101-0001	(145,000)
Supplemental Security Income/State Supplementary Payment (SSI/SSP)	5180-111-0001	(31,357,000)
In-Home Supportive Services (IHSS)	5180-111-0001	104,445,000
	Reimbursements	723,748,000
Other Assistance Payments	5180-101-0001	76,926,000
	5180-101-0122	(27,000)
	5180-101-0890	1,034,869,000
	5180-101-8075	-
	Reimbursements	-
County Administration and Automation Projects	5180-141-0001	50,152,000
	5180-141-0890	34,467,000
	Reimbursements	25,968,000
Child Welfare Services	5180-151-0001	3,612,000
	5180-151-0890	21,320,000
Special Programs	5180-151-0001	799,000
Adult Protective Services	Reimbursements	81,000
Realigned Programs		
Adoption	5180-101-0001	-
	5180-101-0890	81,242,000
Foster Care	5180-101-0001	-
	5180-101-0890	(4,140,000)
	5180-141-0890	3,515,000
Child Welfare Services	5180-151-0001	-
	5180-151-0890	(991,000)
	Reimbursements	1,559,000
Adult Protective Services	Reimbursements	205,000

The following chart summarizes CDSS caseload projections at May Revision:

CDSS CASELOAD PROJECTIONS

Program	FY 2023-24 Caseload	FY 2024-25 Caseload	CY to BY % Change
CalWORKs	348,621	354,772	1.8%
CalFresh	3,063,889	3,089,948	0.9%
California Food Assistance Program (CFAP)	54,658	58,838	7.6%
CalWORKs Child Care	135,736	141,062	3.9%
IHSS	664,958	703,921	5.9%
SSI/SSP	1,099,947	1,076,332	-2.1%
Cash Assistance Program for Immigrants (CAPI)	15,333	15,976	4.2%
Child Welfare Services (CWS)	112,756	111,518	-1.1%
Foster Care (FC)	46,114	45,358	-1.6%
Adoption	86,941	87,087	0.2%
Kin-GAP	17,634	17,609	-0.1%

Source: CDSS

Other CDSS Budget Adjustments – May Revision. In addition to the cuts described in Issue 1, the May Revision includes the following budget adjustments for CDSS:

- **Maintenance of County Expense Claim Reporting Information System**. CDSS requests that Item 5180-001-0001 be increased by $730,000 and four positions in 2024-25 and $533,000 and four positions in 2025-26 and ongoing to continue maintenance and operations activities for the County Expense Claim Reporting Information System. CDSS requests that Item 5180-001-0890 be increased by $183,000 in 2024-25 and $356,000 in 2025-26 and ongoing for this purpose.

- **Summer EBT**. CDSS requests that Item 5180-001-0001 be increased by $1,253,000 in 2024-25, $1,234,000 in 2025-26 and ongoing to assist with program support for the Summer EBT program (now known as SUN Bucks.)

- **Child Welfare Training Program: Funding Shift from Local Assistance to State Operations.** CDSS requests that Item 5180-001-0001 be increased by $210,000 and 1.2 positions in 2024-25 and $205,000 and 1.2 positions in 2025-26 and ongoing, to continue to support statewide coordination for the Child Welfare Training Program in compliance with federal requirements. CDSS requests that Item 5180-001-0890 be increased by $142,000 in 2024-25 and $139,000 in 2025-26 and ongoing, and 0.8 positions, for this purpose. These adjustments reflect a net-zero shift of existing funds for this program from local assistance to state operations.

- **Guardian Background Check System Maintenance and Operations.** CDSS requests that Item 5180-001-0001 be increased by $312,000 in 2024-25 and 2025-26, and $612,000 in 2026-27, on a limited-term basis, for increased maintenance and operations costs for the existing Guardian Background Check System.

- **Preschool Development Grant Reimbursement Authority.** CDSS requests that Item 5180-001-0890 be increased by $328,000 one-time to allow the Department of Social Services to assist the California Health and Human Services Agency with the administration of the Preschool Development Grant. Additionally, CDSS requests that provisional language be added to allow the Department of Finance to adjust expenditure authority to Schedule (1) for future Preschool Development Grant awards.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity.** CDSS requests that provisional language be added to Item 5180-001-0001 to allow the Department of Finance to augment this item for costs associated with participation in the FRA Pilot no sooner than 30 days after notification in writing is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chair of the Joint Legislative Budget Committee if the State of California is selected for participation in the work outcomes pilot pursuant to section 302 of H.R. 3746, the Fiscal Responsibility Act.

- **Provisional Language Only: Able-Bodied Adult without Dependents Rule**. CDSS requests that provisional language be added to Items 5180-001-0001 and 5180-001-0890 to allow the Department of Finance to increase expenditure authority in this item up to $250,000 to comply with the federal Able-Bodied Adult without Dependents rule if State Operations resources are necessary.

- **CalWORKs AB 85 Maximum Aid Payment Increase.** CDSS requests that Item 5180-101-0001 be increased by $12,522,000 ongoing to reflect a 0.3 percent increase to the CalWORKs Maximum Aid Payment levels. The increased grant costs are funded entirely by 1991 Realignment revenue in the Child Poverty and Family Supplemental Support Subaccount. This replaces the 0.8 percent grant increase projected at Governor's budget.

- **Elimination of Comparable Disqualification**. CDSS requests that Item 5180-101-0001 be increased by $80,000 in 2024-25 and ongoing and Item 5180-141-0001 be decreased by $206,000 in 2024-25 and ongoing, and Item 5180-141-0890 be decreased by $308,000 in 2024-25 and ongoing as a result of the elimination of Welfare-to-Work comparable disqualification to align the California Food Assistance Program and CalFresh policy.

- **Federal Reporting and Communication Requirements with National Center for Missing and Exploited Children.** CDSS requests that Item 5180-151-0001 be increased by $432,000 ongoing for additional workload for county child welfare agencies and probation departments to comply with additional federal reporting and communication requirements when reporting missing youth. CDSS requests that Item 5180-151-0890 be increased by $311,000 ongoing for this purpose. CDSS requests that statutory changes be added for these purposes.

- **Los Angeles County Child Welfare Stabilization.** CDSS requests that Item 5180-495 be amended to eliminate a reversion proposed at Governor's Budget that is no longer feasible.

- **Child Welfare Training Program: Funding Shift from Local Assistance to State Operations.** CDSS requests that Item 5180-151-0001 be decreased by $210,000 in 2024-25 and $205,000 in 2025-26 and ongoing to shift funds to state operations to continue to support statewide coordination for the Child Welfare Training Program in compliance with federal requirements. CDSS requests that Item 5180-151-0890 be decreased by $142,000 in 2024-25 and $139,000 in 2025-26 and ongoing for the same purpose. These adjustments reflect a net-zero shift of existing funds for this program from local assistance to state operations.

- **Foster Care Rate Reform Automation.** CDSS requests that Item 5180-141-0001 be increased by $2,465,000 one-time to update foster care rate reform automation costs proposed at Governor's Budget.

- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Reappropriation**. CDSS requests that Item 5180-494 be amended to reappropriate up to $2,657,000 General Fund for an additional year for workforce training and county readiness activities to support implementation of Child and Family Teams for family maintenance cases associated with the implementation of BH-CONNECT.

- **Provisional Language Only: Family First Prevention Services Reappropriation.** CDSS requests that Item 5180-493 be amended to reflect a technical change to correct the item number for the State Block Grant in support of the Family First Prevention Services Act.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity.** CDSS requests that provisional language be added to Item 5180-101-0001 to allow the Department of Finance to increase expenditure authority in this item up to $2.4 million to implement the Fiscal Responsibility Act Pilot (Federal H.R. 3746) if California is selected to participate in the FRA pilot.

- **Provisional Language Only: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity**. CDSS requests that provisional language be added to Item 5180-141-0001 to allow the Department of Finance to augment this item for costs associated with participation in the FRA pilot upon selection of the State of California for participation in the pilot pursuant to section 302 of H.R. 3746, the Fiscal Responsibility Act.

Chaptered Legislation – May Revision. The May Revision includes the following adjustments to enable CDSS to implement recently chaptered legislation.

- **Daycare Facilities: Incidental Medical Services Plan**, Chapter 631, Statutes of 2023 (SB 722). CDSS requests that Item 5180-001-0001 be increased by $173,000 and one position in 2024-25, and by $169,000 in 2025-26 and 2026-27 to implement the legislation.

- **Firearms in Family Child Care Homes**, Chapter 249, Statutes of 2023 (SB 2). CDSS requests that Item 5180-001-0001 be increased by $162,000 and one position in 2024-25, 2025-26, and 2026-27 to implement the legislation.

- **Paid Sick Leave Implementation:** Chapter 309, Statutes of 2023 (SB 616). CDSS requests that Item 5180-111-0001 be increased by $17,319,000 ongoing and reimbursements be increased by $21,024,000 ongoing to implement the legislation.

- **Facility Management System (FMS) Project Planning Resources Reappropriation**. CDSS requests d that Item 5180-492 be amended to reappropriate up to $5 million from Item 5180-001-0001 of the 2021 Budget Act and up to $3 million from Item 5180-001-0001 of the 2022 Budget Act to support planning efforts of the FMS project.

- **Juvenile Court - Dependents Removal**, Chapter 618, Statutes of 2023 (SB 578). CDSS requests that Item 5180-151-0001 be increased by $1,161,000 in 2024-25 and ongoing to implement the legislation.

- **Assuring Services for Family Reunification**, Chapter 458, Statutes of 2023 (AB 937). CDSS requests that Item 5180-151-0001 be increased by $933,000 in 2024-25 and ongoing to implement the legislation.

- **Childcare Dual Language Learners,** Chapter 435, Statutes of 2023 (AB 393) CDSS requests that Item 5180-001-0001 be increased by $764,000 and four positions in 2024-25 and $742,000 and four positions ongoing beginning in 2025-26, and Item 5180-101-0001 be increased by $297,000 ongoing to implement the legislation.

- **Lesbian, Gay, Bisexual, Transgender Disparities Reduction Act**, Chapter 832, Statutes of 2023 (AB 1163). CDSS requests that Item 5180-141-0001 be increased by $519,000 one-time in 2024-25 to implement the legislation.

- **Cal-Learn Pregnancy or Parenting,** Chapter 615, Statutes of 2023 (SB 521). CDSS requests that Item 5180-141-0001 be increased by $294,000 one-time to implement the legislation.

- **Cal-Learn Sanctioned Grants Repeal,** Chapter 615, Statutes of 2023 (SB 521). CDSS requests that Item 5180-101-0001 be increased by $18,000 in 2024-25 and $37,000 in 2025-26 and ongoing to implement the legislation.

- **Family Reunification Services for Financial Hardship Noncompliance**, Chapter 552, Statutes of 2023 (AB 954). CDSS requests that Item 5180-151-0001 be increased by $1,866,000 ongoing. It is also requested that Item 5180-151-0890 be increased by $673,000 ongoing.

- **Pupil Meals**, Chapter 600, Statutes of 2023 (SB 348). CDSS requests that Item 5180-001-0001 be increased by $907,000 in 2024-25 and $883,000 in 2025-26 and ongoing to implement the legislation.

- **Refugee Internet Resources**, Chapter 399, Statutes of 2023 (SB 465). CDSS requests that Item 5180-151-0001 be increased by $82,000 in 2023-24 to implement the legislation.

- **Elderly and Dependent Adult Abuse - Mandated Reporting**: Chapter 580, Statutes of 2023 (AB 1417). CDSS requests that Item 5180-001-0001 be increased by $173,000 in 2024-25 and $169,000 in 2025-26 on a limited-term basis to implement the legislation.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief overview of the CDSS May Revision budget and caseload adjustments for CDSS.

Issue 9: California Department of Social Services – May Revision Trailer Bills

Trailer Bills – Governor's May Revision. The May Revision includes the following new trailer bills under CDSS:

- **Permanent Foster Care Rate Structure.** This trailer bill makes various changes to the department's proposed permanent foster care rate structure based on stakeholder feedback received after the initial version was published in February.

- **Information Sharing for Small Family Child Care Homes.** This trailer bill seeks to amend Health and Safety Code section 1596.86 to increase the accessibility and transparency of licensed small family daycare home information. It would bring CDSS into compliance with federal funding requirements for consumer and provider education by making specified information for licensed small family daycare homes publicly available to parents searching for child care options for their children. This language also proposes to make technical conforming changes to Government Code section 7927.305.

- **Facility Inclusion for Community Care Expansion Preservation Program.** This trailer bill authorizes CDSS to accept an alternative legally enforceable agreement in lieu of a deed restriction for a facility awarded Community Care Expansion (CCE) funding and that seeks to receive Capitalized Operating Subsidy Reserve (COSR) funds, to demonstrate the requirement to provide licensed residential care for at least the term of the reserve. This statutory amendment will allow licensed facility operators who have operational gaps and are at risk of closure to have greater access to operational funds from the CCE program. This change helps restore equity between facility operators who own their facility and those who lease the property where they operate their licensed facility, particularly for operators participating in the CCE Preservation Program. No budgetary resources are required to enact this proposed amendment.

- **Federal Reporting and Communication Requirements with National Center for Missing and Exploited Children.** This trailer bill would update state law to (1) mirror the additional federal reporting and communication requirements on states, for county child welfare agencies and probation departments when reporting missing youth to law enforcement authorities for entry into the National Crime Information Center (NCIC) database and the National Center for Missing and Exploited Children (NCMEC), and (2) clarify counties are authorized to share information from juvenile case files with the NCMEC, a nonprofit entity.

- **Specialized Care Increment Eligibility.** This trailer bill would allow Tribes with a Title IV-E agreement with the state to create their own Specialized Care Increment (SCI) rate-setting system for children under their jurisdiction. The proposed changes also explicitly clarify that children under county jurisdiction placed in a tribally approved home may receive the county's SCI, where applicable.

- **Resource Family Approval Program Alignment with Emergency Caregiver Funding Program.** This trailer bill would align the 90-day Resource Family Approval (RFA) application processing time frame with the 120-day Emergency Caregiver (EC) Funding time frame.

- **State and Federal Kinship Guardianship Assistance Payment Program Alignment.** This trailer bill would: (1) eliminate the $10,000 cash savings and personal property asset limits for children and nonminor beneficiaries of the state- and federally-funded Kinship Guardianship Assistance Payment (Kin-GAP) programs and (2) clarify income and property received after the start date of aid shall be disregarded. These limits are not required by federal law and are barriers to saving for a successful transition to adulthood for children and non-minors who receive Kin-GAP benefits.

- **Excellence in Family Finding, Engagement, and Support Program.** This trailer bill would authorize a participating county or tribe in the Excellence in Family Finding, Engagement, and Support (EFFES) Program, which does not have sufficient caseload, as determined by the California Department of Social Services (CDSS), for a full-time family-finding worker to submit a written request to CDSS for authorization to use program funding for a portion of a full-time position for family-finding activities. This helps alleviate challenges for small counties and tribes and removes a barrier preventing these counties and tribes from accessing one-time funding for the program.

- **SNAP Reimbursement.** Existing law provides for the establishment of a statewide electronic benefits transfer (EBT) system, administered by the State Department of Social Services, for the purpose of providing financial and nutrition assistance benefits. Existing state regulations, under the 2020 *Ortega v. Johnson* appellate court ruling, allow for the replacement of CalFresh food benefits, known federally as the Supplemental Nutrition Assistance Program (SNAP), and California Food Assistance Program (CFAP) food benefits that have been stolen via electronic theft using state funds. Existing federal law provides for the replacement of SNAP benefits, and Disaster SNAP benefits, known in California as Disaster CalFresh, that have been stolen via electronic theft, such as EBT card skimming, cloning, scamming, and other similar fraudulent methods between October 1, 2022 through September 30, 2024 using federal funds. This trailer bill codifies the policy for reimbursing electronically stolen CalFresh food benefits that was established under federal guidance, thereby overriding the former state benefit replacement policy established as a result of the *Ortega* court ruling and allowing for continuity of the current policy. The proposal also stops state-funded replacements of stolen CalFresh, if at any point federally funded replacements are again available.

- **Tribal Nutrition Assistance Program.** This trailer bill would remove language referencing the Food Distribution Program on Indian Reservations (FDPIR) from the Tribal Nutrition Assistance Program (TNAP) authorizing statute in Welfare and Institutions Code Section 18936. Removal of the FDPIR verbiage from statute ensures access to TNAP funds to combat food insecurity in Native American communities across California, as intended when TNAP was authorized.

- **CalWORKs Intensive Case Management Hourly Increase Pause.** This trailer bill removes the requirement that intensive case management hours budgeted per case per month increase from 8.75 to 10 hours for 2024-25. This aligns with the proposed Governor's Budget solution to freeze case management hours, generating $47 million in ongoing savings.

- **California Food Assistance Program (CFAP) Elimination of Comparable Disqualification.** This trailer bill would eliminate the Welfare-to-Work (WTW) comparable disqualification policy for the California Food Assistance Program (CFAP) to maintain alignment with current CalFresh

policy and ensure equity between CFAP and CalFresh recipients. CalFresh is set to eliminate comparable disqualifications for WTW sanctions effective August 1, 2024. Currently, the change proposed is set to occur in 2027-28. This trailer bill would expedite eliminating the requirement in order to avoid CFAP and CalFresh misalignment.

- **Family Reunification Delay Implementation.** AB 135 (Chapter 85, Statutes of 2021) enhanced CalWORKs Family Reunification (FR) services by authorizing a cash grant and child care services to families who have a child removed from the home and have been determined eligible for FR, effective July 1, 2022. Due to unforeseen challenges in implementing these policy changes, CDSS did not issue the instructions until November 2023 through All County Letter (ACL) 23-94, which initiated the CalSAWS automation process. CalSAWS notified CDSS that automation is anticipated to be completed in November 2024. This proposal seeks to extend the implementation date of eligibility for the cash grant and child care services from July 1, 2022, to July 1, 2024, or when CalSAWS is able to automate the features necessary for implementation, to be consistent with the updated timing of implementation.

- **CalWORKs MAP Increase.** This trailer bill would effectuate the 0.3 percent increase to the CalWORKs Maximum Aid Payment, effective October 1, 2024. This is a smaller amount than the 0.8 percent grant increase projected at Governor's Budget.

- **Data Sharing to Quantify the Impacts of the Safety Net on the Whole Californian**. This trailer bill provides statutory authority for CDSS to receive data to measure and report outcomes related to housing stability of Californians currently or potentially participating in CDSS programs, including but not limited to CalFresh, CalWORKs, housing and homelessness programs, and Guaranteed Income.

- **California Food Assistance Program (CFAP) Overissuance Retention Rates.** At the time of this writing, this trailer bill was pending.

- **IHSS Permanent Backup Provider System.** This trailer bill would sunset existing law establishing the statewide permanent backup provider system to implement the May Revision proposal to eliminate funding for this program.

- **Work Incentive Nutrition Supplement (WINS) Program**. At the time of this writing, this trailer bill was pending.

- **IHSS for Undocumented Individuals.** At the time of this writing, this trailer bill was pending.

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide an overview of CDSS May Revision trailer bills.

2. Please provide an update on the foster care permanent rate structure trailer bill, including major changes to the trailer bill as a result of recent stakeholder feedback sessions.

4170 CALIFORNIA DEPARTMENT OF AGING

Issue 1: California Department of Aging - May Revision Solutions

Budget Solutions – Governor's May Revision. The Governor's May Revision includes the following budget solutions under the California Department of Aging (CDA):

- **Elimination of Older Californians Act Modernization Funding for Senior Nutrition.** The May Revision proposes to eliminate all remaining funding ($37.2 million in 2024-25, 2025-26, and 2026-27, for a total of $111.6 million) for the Older Californians Act Modernization. The 2022 Budget Act included $186 million over three years to restore local services and supports for older adults that were reduced during the Great Recession; the 2023 Budget Act spread this funding out over five years instead of the original three years. This funding was intended to enable the local Area Agencies on Aging (AAAs) to continue to serve new meal participants brought on during the COVID pandemic. A detailed chart of actual expenditures and budget allocations for senior nutrition from various fund sources, provided by CDA, is below:

	ACTUAL EXPENDITURES: Used to compare against actual meal counts		***Allocated/Budget***		
	2021/22	2022/23	2022/23	2023/24	2024/25
Federal Funding (OAA ongoing)	$84,047,080	$77,742,187	$89,400,000	$104,941,000	$104,941,000
General Fund Congregate Nutrition (on-going)	$9,192,746	$11,814,867	$9,462,000	$9,462,000	$9,462,000
General Fund Home Delivered Nutrition (on-going)	$16,873,863	$45,687,717	$51,344,000	$51,344,000	$51,344,000
Federal Funding (COVID, one-time)	$54,159,435	$0	$0	$0	$0
Modernizing OCA (one-time)	$0	$0	$0	$15,100,000	$0
HCBS (one-time)		$8,356,524	$20,700,000		
State Operations	$2,161,632	$4,018,719	$4,395,000	$4,664,000	$4,945,000
TOTAL	**$166,434,755**	**$147,620,013**	**$175,301,000**	**$185,511,000**	**$170,692,000**
Total without State Ops	$164,273,123	$143,601,294	$170,906,000	$180,847,000	$165,747,000
Local Admin @ 10%	**$16,427,312**	**$14,360,129**	**$17,090,600**	**$18,084,700**	**$16,574,700**
Total without overhead/admin	**$147,845,811**	**$129,241,164**	**$153,815,400**	**$162,762,300**	**$149,172,300**

When comparing 2022-23 nutrition budget levels to 2024-25 proposed budget levels, there is a net decline of $5 million. The $37 million would have covered that gap, as well as funding associated with expiration of local COVID nutrition programs.

- **Elimination of Older Adult Behavioral Health Program.** The May Revision proposes to eliminate funding for the Older Adult Behavioral Health Program as follows: $5.4 million in 2023-24, $20 million in 2024-25, and $8.4 million in 2025-26. The 2023 Budget Act included $50 million over three years to advance behavioral health for older adults: $30.3 million to local partners for older adult behavioral health capacity building; $4.5 million to allow for continued operation of the statewide Older Adult Friendship Line; and $10.5 million for an older adult behavioral health stigma reduction media campaign.

CDA Solution Adopted in Early Action. The 2024 Early Action package included the following solution under CDA:

- **Cancellation of Healthier at Home Pilot Program.** The Early Action package included $11.9 million General Fund savings to cancel the Healthier at Home Pilot Program.

Subcommittee Staff Comment and Recommendation – Hold Open. This issue was heard at the Subcommittee's May 16 hearing.

Questions. The Subcommittee requests the Administration respond to the following:

1. The Older Californians Act funding proposed to be eliminated was intended to restore services, primarily for senior nutrition programs, that were cut during the Great Recession. What is the net reduction in total funding for senior nutrition when combining this proposed cut with the expiration of federal pandemic relief funds? How did demand for meals, and the costs of those meals, including non-congregate options like Meals on Wheels, change during the pandemic? Does the department anticipate lower demand or meal costs in the near future?

2. The Older Adult Behavioral Health Program proposed to be cut originally included $20 million in 2023-24, but the Administration is proposing to cut $5.4 million in 2023-24. How much of the funding, specifically for the media campaign, has been spent to date?

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

Issue 1: Department of Developmental Services – May Revision Overview

Overview – May Revision. The May Revision includes $15.4 billion ($10 billion General Fund) for DDS in 2024-25; a net increase of $1.9 billion ($2 billion General Fund) over the updated 2023-24 budget, which is a 14.5 percent total fund increase. The total DDS budget at May Revision is summarized below:

Program Highlights
(Dollars in Thousands)

	FY 2023-24*	FY 2024-25	Difference
Community Services Program			
Regional Centers	$12,941,848	$14,878,990	$1,937,142
Total, Community Services	**$12,941,848**	**$14,878,990**	**$1,937,142**
General Fund	$7,626,916	$9,596,982	$1,970,066
Program Development Fund	$434	$434	$0
Developmental Disabilities Services Account	$150	$150	$0
Federal Trust Fund	$57,470	$57,338	($132)
Reimbursements	$4,330,931	$5,223,346	$892,415
Mental Health Services Fund	$740	$740	$0
HCBS ARPA	$542,237	$0	($542,237)
HCBS ARPA Reimbursements	$382,970	$0	($382,970)
State Operated Services			
Personal Services	$260,198	$281,128	$20,930
Operating Expense & Equipment	$66,986	$60,425	($6,561)
Total, State Operated Services	**$327,184**	**$341,553**	**$14,369**
General Fund	$291,362	$309,792	$18,430
Lottery Education Fund	$100	$100	$0
Reimbursements	$35,722	$31,661	($4,061)
Headquarters Support			
Personal Services	$122,143	$121,131	($1,012)
Operating Expense & Equipment	$53,363	$47,313	($6,050)
Total, Headquarters Support	**$175,506**	**$168,444**	**($7,062)**
General Fund	$109,301	$112,677	$3,376
Federal Trust Fund	$2,979	$3,010	$31
Program Development Fund	$451	$452	$1
Reimbursements	$53,487	$51,794	($1,693)
Mental Health Services Fund	$511	$511	$0
HCBS ARPA	$6,523	$0	($6,523)
HCBS ARPA Reimbursements	$2,254	$0	($2,254)
Total, All Programs	**$13,444,538**	**$15,388,987**	**$1,944,449**
Total Funding			
General Fund	$8,027,579	$10,019,451	$1,991,872
Federal Trust Fund	$60,449	$60,348	($101)
Lottery Education Fund	$100	$100	$0
Program Development Fund	$885	$886	$1
Developmental Disabilities Services Account	$150	$150	$0
Reimbursements	$4,420,140	$5,306,801	$886,661
Mental Health Services Fund	$1,251	$1,251	$0
HCBS ARPA	$548,760	$0	($548,760)
HCBS ARPA Reimbursements	$385,224	$0	($385,224)
Total, All Funds	**$13,444,538**	**$15,388,987**	**$1,944,449**

*FY 2023-24 includes $1.3 million Control Section 19.565 funding
*FY 2023-24 does not include $10.75 million for CPP reappropriation (GF).

DDS Budget Adjustments – May Revision. In addition to the cuts described in Issue 1 and the service utilization and caseload related changes described above, the May Revision includes the following budget adjustments for DDS:

- **Reimbursement System Project and Maintenance and Operation Costs**. DDS requests that Item 4300-001-0001 be increased by $3,258,000 in 2024-25, $2,443,000 in 2025-26, and $1,791,000 ongoing beginning in 2026-27 to complete the Reimbursement System Project and support maintenance and operations costs. This request also includes provisional language to make the level of 2024-25 funding contingent upon approval of the pending Iterative Project Report by the Department of Technology.

- **Reimbursement System Project – Reappropriation**. DDS requests that Item 4300-490 be added to reappropriate $5 million from Item 4300-001-0001, Budget Act of 2021, through June 30, 2025. This request corrects a reappropriation included in the 2022 Budget Act and will support completion of the Reimbursement System Project and maintenance and operations costs.

- **Uniform Fiscal System Modernization and the Consumer Electronic Records Management System Project Planning**. DDS requests that Item 4300-001-0001 be increased by $3,323,000 and reimbursements be increased by $369,000 one-time to support planning for the Uniform Fiscal System Modernization and Consumer Electronic Records Management System projects. It is also requested that Item 4300-101-0001 be increased by $2,665,000 one-time for these purposes.

- **Allocation for Employee Compensation.** DDS requests that Item 4300-001-0001 be increased by $18,000 and reimbursements be increased by $2,000 ongoing to reflect revised employee compensation costs.

- **Allocation for Employee Benefits**. DDS requests that Item 4300-001-0001 be increased by $2,000 ongoing to reflect revised staff benefit costs.

- **State Operated Facilities – Complex Needs Residential Program Update**. DDS requests that Item 4300-001-0001 be decreased by $7,038,000 and 28.8 positions one-time to reflect revised staffing cost assumptions for the program in 2024-25.

- **State Operated Facilities – Population and Staffing May Revision**. DDS requests that Item 4300-001-0001 be increased by $3,286,000 and 16 positions and reimbursements be decreased by $3,286,000 and 16 positions ongoing to reflect revised federal reimbursement assumptions related to the Stabilization Training Assistance Reintegration home program.

- **Regional Centers – Caseload and Utilization May Revision**. DDS requests that Item 4300-101-0001 be increased by $41,210,000 and reimbursements be increased by $32,371,000 ongoing. It is also requested that Item 4300-101-0890 be decreased by $132,000 ongoing. These adjustments reflect updated expenditure estimates in operations and purchase of services driven by caseload and utilization. In addition to adjustments based on caseload and utilization, 2023-24 expenditure estimates also align with proposed changes in the federal Home and Community-Based Services Spending Plan.

- **Language Only**. DDS requests that Provision 2 of Item 4300-101-0001 be amended to change General Fund loan authority from $1,038,350,000 to $1,044,669,000 to reflect revised estimates regarding federal reimbursements.

Subcommittee Staff Comment and Recommendation – Hold Open. This issue was covered in the Subcommittee's May 16 hearing.

Questions. The Subcommittee requests the Administration respond to the following:

1. The May Revision decreases projected 2024-25 expenditures for the department's new Complex Needs Residential Program, which was approved in the 2023 Budget Act, due to revised development timeline of the homes and the related phased-in staffing assumptions. Does the revised timeline also affect the $10.5 million included in the 2023-24 budget for this program? How much of the 2023-24 appropriation has been spent to date and what work has been completed?

2. The May Revision continues increases the budget for Porterville Developmental Center by $20 million in 2024-25 compared to the revised 2023-24 budget. Porterville is budgeted for the maximum population capacity of 211 people. What is the current population at Porterville and what has the historical Porterville population been over the last approximately five years?

3. The May Revision includes a solution to save $20 million by stopping new enrollments in the Direct Support Professional (DSP) internship program. The 2022 workforce package included additional one-time workforce programs which have experienced some implementation delays. The Regional Center Tuition Reimbursement program included $30.8 million; the department estimates that based on the 351 current (and 55 pending) participants, $12.2 million would be spent with no new enrollments. Could this program be limited in a similar way to the Administration's proposed limitation of the internship program – honoring existing commitments but generating approximately $18.6 million in savings? Similarly, the DSP stipend program expires June 30, 2024; of the $127.8 million appropriation, the Administration reports that $41 million has been spent through March (there is a 90 day lag on payments), and projects less than $10 million would remain after June 30, 2024 at the current rate of registration and completion. Could any amount of these anticipated savings be reverted in 2023-24?

Issue 2: Department of Developmental Services – Case Management Systems Project Planning

Budget Change Proposal – Governor's May Revision. DDS requests $6.4 million ($6 million General Fund) including one-year limited term resources equivalent to nine positions for continued project planning efforts supporting the combined Uniform Fiscal System Modernization (UFSM) and Consumer Electronic Records Management System (CERMS) project. The requested resources will enable DDS to complete the state's required California Department of Technology (CDT) Project Approval Lifecycle (PAL) planning process.

Background on Regional Center Fiscal and Case Management Systems. Regional centers currently use outdated legacy systems, for both fiscal and case management purposes. Both systems are undergoing a modernization process to better support individuals and families, regional center staff, service providers, and DDS. DDS is currently moving through the state's required California Department of Technology (CDT) Project Approval Lifecycle process.

Funding for Fiscal and Case Management Modernization. The HCBS Spending Plan includes $7.5 million to fund the modernization of the fiscal system (known as Uniform Fiscal System Modernization or UFSM), and the case management system (known as Consumer Electronic Records System or CERMS). In addition to HCBS funds, the 2023 Budget Act included $12.7 million ($12.2 million General Fund) for one-year limited term resources equivalent to 17 departmental positions and two positions per regional center in 2023-24 to support continued planning efforts for both projects.

Supplemental Report Language in the 2023 Budget Act. The 2023 Budget Act including Supplemental Report Language requiring quarterly updates on the department's fiscal and case management system projects. The report required includes: (1) the current status of the projects; (2) preliminary baseline cost, schedule and scope of the proposed projects after Stage 2 Alternatives Analysis; (3) the preliminary goals and outcomes for the two projects, including definitions for and measurements of completion and success; (4) a list of activities undertaken by DDS to engage stakeholders; (5) a list of organizational change management activities undertaken by DDS to prepare regional centers for any business process changes; and (6) project risks and issues identified during project planning and proposed mitigation.

Project Update. The following includes some highlights of project progress as of January 2024:

- DDS market research determined these projects will be combined into one project. A new Stage 1 Business Analysis combining both projects into one will be submitted. Both projects have received Stage 1 approval and DDS has submitted the current Stage 2 Alternatives Analysis package to CDT for approval.

- DDS anticipates that the federal Centers for Medicare & Medicaid Services (CMS) will fund approximately 90 percent of project planning, design development, and implementation.

- DDS has completed organizational change management plan and schedule.

- DDS has completed the extraction of UFS data from all regional centers and completed other data analysis.

- Stakeholders have prioritized details requirements. The team continues to provide DDS stakeholders updates on the status of the project, meet with them to validate our understanding of requirements, workflows, and processes.

- The Request for Proposal (RFP) is planned for November 2024.

- The preliminary scheduled is below:

Milestones	Expected Completion Date
Start the Development of the SI Scope of Work	11/8/2023
Anticipated Official California Department of Technology S2AA Approval	2/15/2024
Anticipated Department RFP Approval (S3SA)	4/17/2024
Anticipated CMS RFP Approval	8/23/2024
Anticipated California Department of Technology S3SA Approval	10/28/2024
Anticipated California Department of Technology/Statewide Technology Procurement RFP Release	11/6/2024
Vendor Bids Due	2/3/2025
Anticipated CMS Contract Approval by CMS	10/22/2025
Anticipated California Department of Technology Contract Approval	11/26/2025
Notification of Intent to Award	12/1/2025
Contract Start Date	12/17/2025

Source: DDS

Project Objectives. The project objectives listed below are included in the Supplemental Report:

- Transition the fiscal and programmatic foundations of the developmental services system away from process measures to payment for measurable changes in outcomes for people with IDD.

- Reduce disparities in regional center performance across operational measures while achieving or surpassing benchmark expectations for those activities.

- Increase the information readily available to remediate disparities in authorized services, their geographic availability, and actual service utilization, across ages and other demographic categories, residential types, regional centers, and consumer diagnoses.

- Increase the ability of people with IDD and their families to access information about their services and supports, to enable self-service functions and empower their engagement in person-centered planning and case management.

- Reduce operational frustrations that contribute to high rates of turnover in the service coordinators that people with IDD depend upon for the authorization of services that enable their community integration and achievement of person-centered goals.

- Implement a new accounting solution that can be fully integrated with case management systems and other regional center mission-critical third-party applications, ensuring that unique individual service needs are met.

- Implement a new billing module that allows vendors to either enter or directly upload invoices, in a standard data format, into the billing system to support the retainment of quality service providers that are needed to meet individual consumer service needs.

- Create report of users accessing confidential individual financial information.

Stakeholder Engagement. According to the Supplemental Report, the project teams have collaborated with regional centers, individuals receiving services and their families, as well as services providers over the last two years. DDS has held a total of 198 meetings to date: 185 meetings with the regional centers, 9 meetings with individuals and families, and 4 meetings with service providers.

SB 138 Requirements for New Case Management System. Trailer bill language from the 2023 Budget Act included in SB 138 (Committee on Budget and Fiscal Review), Chapter 192, Statutes of 2023, requires DDS to incorporate the following intake information in its new case management system: (1) the number of individuals for whom intake was requested; (2) the outcome of that intake, including whether an assessment was determined to be necessary; (3) the length of time it took to complete the assessment; and (4) the number of notices of action sent regarding the outcome of the initial 15-day intake period. In addition, SB 138 requires updated data definitions and standard IPP template to be integrated with the new case management system and requires DDS to explore the feasibility of tracking generic services in its new case management system.

Staffing and Resource Request. According to DDS, "the proposed resources will allow DDS to continue the PAL activities. DDS determined the number of requested position equivalent resources based on CDT's project management best practices and recommendations from OSI and supported by real project milestone experiences with the Electronic Visit Verification and Reimbursement System Project technology projects. Each position will perform specific roles and duties on the project. DDS is unable to redirect existing resources to develop the new system because current employees support existing maintenance and operations workload.

In addition, DDS requests resources for each RC's involvement to continue the data analysis and cleanup effort. DDS requests resources dedicated to each RC to support the project, specifically, to assist with end-to-end data analysis, data profiling/cleansing and validation services, data migration/conversion planning and activities, and data governance framework establishment for the combined UFSM and CERMS Project.

Finally, resources are requested to continue consulting services to assist with the PAL process and data management services. These consulting services were procured in 2023 utilizing federal Home and Community-Based Services American Rescue Plan Act funding. The Project Manager and Business Analysis services are being used to develop the documentation and approvals for the state-required PAL. Data management services are required to determine the quality of data from the 21 RCs, determine cleanup strategy and lead the effort for the 21 RCs to clean up their data. CMS Advance Planning Document (APD) manager will provide Certification Consultant Services for CERMS/UFSM to request approvals of federal advance planning documents and federal financial certification documents to receive enhanced federal funding."

Subcommittee Staff Comment and Recommendation – Hold Open.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a brief update and timeline for the department's new fiscal and case management system project.

2. The 2023 Budget Act included $12.7 million ($12.2 million General Fund) for one-year limited term resources equivalent to 17 departmental positions and two positions per regional center in 2023-24 to support continued planning efforts. This is in addition to the $7.5 million HCBS funds for project planning. DDS also anticipates the availability of federal funding for the project. How much of the 2023 Budget Act appropriation has been spent? Could anticipated federal funds supplant the need for General Fund resources in 2024-25? If so, would provisional language allowing the department to access General Fund only in the case that federal funds do not materialize be appropriate?

3. What work is being conducted with regional centers to prepare for the new system? Similarly, there is funding included for consumer engagement – how will those funds be used?

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY - OYCR

Issue 1: Office of Youth and Community Restoration- Transfer of Juvenile Justice Grants

Trailer Bill Language – Governor's May Revision. CalHHS proposes trailer bill language to transfer administration of 2011 juvenile realignment grants from the Board of State and Community Corrections (BSCC) to the Office of Youth and Community Restoration (OYCR). Taken with the 2024-25 Governor's Budget proposal to shift administration of one federal Title II grant from BSCC to OYCR, this should effectuate the transfer of the administration of juvenile grants from BSCC to OYCR as required by Welfare and Institutions Code 2200 (which requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.)

The Governor's budget proposal to shift only the Title II federal grant was heard in this Subcommittee on February 29.

Trailer Bill would Remove Reporting Requirements. The proposed trailer bill language removes provisions that make Juvenile Reentry Grant funding to counties contingent on counties providing the state with certain data necessary to administer this grant. In addition, the language does not provide OYCR with authority to audit this data, which BSCC currently has. The LAO notes that this could make it harder for OYCR to administer this grant. The trailer bill additionally adds language to WIC 2200 that ties the transfer of grants to existing grant allocation methodologies.

Subcommittee Staff Comment and Recommendation – Hold Open. Subcommittee staff notes that removing existing reporting requirements and auditing authority currently under BSCC is not part of the statutory mandate to shift the administration of juvenile justice grants from BSCC to OYCR.

Questions. The Subcommittee requests the Administration respond to the following:

1. Please provide a comprehensive walkthrough of this proposed trailer bill. Please describe each grant that is proposed to be shifted to OYCR as well as every additional change to current law that is included in the language.

2. Why does this trailer bill remove provisions that make Juvenile Reentry funding to counties contingent on the provision of data to the state?

3. Does the Administration intend not to extend OYCR the same auditing authority currently held by BSCC?

4. Is the Administration's intent with this transfer to make any other changes to the way juvenile justice grants are administered, other than shifting administration functions from one state agency to another?

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Monday, May 20, 2024
9:00 am
1021 O Street – Room 1200

Consultants: Scott Ogus

PART B - HEALTH

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
4120 EMERGENCY MEDICAL SERVICES AUTHORITY

Issue 1: Central Registry Replacement and California EMS Information System Reprocurement

Budget Change Proposal – May Revision. CalHHS Office of Technology and Solutions Integration (OTSI) and EMSA request reappropriation of General Fund expenditure authority of $3 million, previously authorized in the 2021 Budget Act, and provisional budget bill language authorizing encumbrance or expenditure until June 30, 2026. If approved, these resources would support reprocurement activities for the California EMS Information System (CEMSIS) and planning and implementation of the Central Registry Replacement Project.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$3,000,000	$-
Total Funding Request:	**$3,000,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Background – Central Registry. AB 2917 (Torrico), Chapter 274, Statutes of 2008, required EMSA to establish a Central Registry for the tracking of EMS certification, recertification, licensure, accreditation, and enforcement history. According to EMSA, the current Central Registry is composed of two independent systems: 1) My License Office, a commercial off-the-shelf solution that provides licensing, certification, and personnel-related functionality; and 2) a custom-built training database that provides publicly viewable lists of approved EMS training programs and continuing education courses. EMSA reports these system no longer meet current business needs, requiring manual workarounds due to obsolete technology.

The 2023 Budget Act included General Fund expenditure authority of $190,000 in 2023-24 for consulting services to support the initial planning effort to replace the Central Registry. EMSA reports it has completed the Stage 1 Business Analysis portion of the Project Approval Lifecycle (PAL) process administered by the California Department of Technology, but needs additional resources to complete the Stage 2 Alternatives Analysis.

Background – California EMS Information System (CEMSIS). Prior to 2022, EMSA contracted with the Inland Counties EMS Agency to collect pre-hospital and trauma data in the California EMS Information System (CEMSIS), which collects voluntary data from 32 of 33 local EMS agencies (LEMSAs) statewide. CEMSIS provides participating LEMSAs access to aggregate statewide data submitted to the CEMSIS data system and is a tool for local EMS system quality improvement, improved EMS system management, and a limited benchmarking against and compliance with existing EMS national standards. EMSA reports this data is not available in real-time for state policymakers and managers, leaving the state without complete or timely information on the EMS system.

As a result of these data gaps, the 2021 Budget Act included General Fund expenditure authority of $10 million to support project planning efforts for a replacement system for CEMSIS, and to support linkage of 17 additional LEMSAs to the system. This effort was intended to increase data interoperability between

hospitals, EMS agencies, and other healthcare organizations. These resources were reappropriated in the 2022 Budget Act and made available for encumbrance or expenditure until June 30, 2024. With these resources, EMSA engaged in the Project Lifecycle Approval (PAL) process administered by the California Department of Technology (CDT).

In a separate effort, the 2021 Budget Act authorized the CalHHS Data Exchange Framework (DxF), requiring the establishment of a single data sharing agreement across health and human services systems and providers with a common set of data sharing policies and procedures to facilitate a statewide health information exchange to be operable by July 2022. As a result of this effort, EMSA reports the Stage 2 Alternatives Analysis of the PAL process was delayed to ensure alignment with the DxF.

In 2022, Inland Counties EMS Agency notified EMSA that it would no longer maintain CEMSIS under its contract. As a result, EMSA executed an emergency contract with the current CEMSIS solution provider, ImageTrend, Inc., for the migration, hosting, and management of CEMSIS. As a result of this migration, CDT advised EMSA that its Stage 1 Business Analysis required revision. During this process, EMSA determined that the primary objectives of the development of the new system could be accomplished through participation in the DxF and withdrew the project in 2023.

Resource Request. CalHHS Office of Technology and Solutions Integration (OTSI) and EMSA request reappropriation of General Fund expenditure authority of $3 million, previously authorized in the 2021 Budget Act, and provisional budget bill language authorizing encumbrance or expenditure until June 30, 2026, to support reprocurement activities for the California EMS Information System (CEMSIS) and planning and implementation of the Central Registry Replacement Project.

OTSI and EMSA plan to procure and implement a data platform that would consolidate and store data from EMSA's current and planned information technology systems, including CEMSIS and the Central Registry, through direct interfaces. EMSA believes these solutions would improve data reporting capabilities by providing a holistic view of EMS data, which would generate insights that drive policy decisions, programs, service delivery, and response to emerging issues.

According to OTSI and EMSA these resources would support the following:

- Personal Services (OTSI and EMSA Staff Salaries and Benefits) - $1.6 million would support previously redirected staff resources at EMSA and six limited-term positions at OTSI authorized in the 2023 Budget Act, to provide support to the CEMSIS and Central Registry Project. These staffing resources would only be available through 2024-25, with OTSI receiving $1.5 million of these resources and EMSA receiving $109,000.

- Operating Expenses and Equipment - $720,000 would support the existing level of operating expenses and equipment at OTSI and EMSA, such as general expenses, printing, communications, travel, training, and equipment. OTSI would receive $625,000 of these resources, while EMSA would receive $95,000.

- Data Validation Consulting - $430,000 would support data validation consultant services to oversee the advancement in these systems by confirming all LEMSA data is compatible and in compliance with the most recent data standards. The consultant would integrate new and existing data with

CEMSIS software to create reports for users, assist in obtaining data from LEMSA's, and ensure CEMSIS data is uploaded to nationwide information systems. All of these resources would be utilized by EMSA.

- CDT Procurement and Oversight Services Fees - $208,000 would support CDT oversight of the PAL process and statewide technology procurement services in support of the Central Registry Project. According to EMSA, these costs are based on estimated hours and CDT rates identified for a similar project.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested OTSI and EMSA to respond to the following:

1. Please provide a brief overview of this proposal.

4140 DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION

Issue 1: Health Care Workforce Program Reductions and Delays

General Fund and Mental Health Services Fund Budget Solutions – May Revision. HCAI requests reversion of General Fund expenditure authority of $300.9 million in 2023-24, and reduction of General Fund expenditure authority of $302.7 million in 2024-25, $216 million in 2025-26, $19 million in 2026-27, and $16 million in 2027-28. HCAI also requests reduction of expenditure authority from the Mental Health Services Fund of $189.4 million, proposed for delay until 2025-26 in the January budget. If approved, these reversions and reductions would eliminate or reduce funding that currently supports healthcare workforce programs for community health workers, nursing, social work, primary care residencies, the Health Professions Career Opportunity Program, and the California Medicine Scholars Program.

Healthcare Workforce Programs Proposed for Reduction – May Revision ($ in millions)				
Workforce Program Reductions – General Fund	**2023-24[1]**	**2024-25**	**2025-26**	**2026-27**
Primary Care Residencies (Song-Brown)	$109	$10	-	
Workforce Education and Training (WET)	$7	-	-	-
Children and Youth BH Initiative – Wellness Coaches	$60	-	-	
Masters of Social Work	$30	-	-	
Psychiatry Graduate Medical Education	$5	-	-	
Psychiatry Loan Repayment – Local BH Programs	$7	-	-	
Nursing Initiative	$70	$70	$70	
Community Health Workers	-	$188.9	$57.5	
Nurse Training (Song-Brown)	-	$15	-	
California Medicine Scholars Program	-	$3	$3	$3
Health Professions Careers Opportunity Program[2]	$13	$16	$16	$16
Social Work Initiative	-	-	$70	-
TOTAL	**$301**	**$302.9**	**$216.5**	**$19**
Workforce Program Reductions – MH Svcs. Fund	**2023-24**	**2024-25**	**2025-26**	**2026-27**
Social Work Initiative	-	-	$51.9	-
Addiction Psychiatry and Medicine Fellowships	-	-	$48.5	-
Univ/College Grants for BH Professionals	-	-	$52	-
Expand MSW Slots at Univ/Colleges	-	-	$30	-
Psychiatry Loan Repayment – Local BH Programs	-	-	$7	-
TOTAL	**-**	**-**	**$189.4**	**-**

1- Includes carryover of unspent funds from prior years, as well as current year savings.
2- Ongoing reduction of $16 million after 2026-27.

Background. The 2022 Budget Act included expenditure authority of $195.1 million ($185.1 million General Fund and $10 million Mental Health Services Fund) in 2022-23, and General Fund expenditure authority of $134.1 million in 2023-24, $34.1 million in 2024-25, and $3.2 million in 2025-26 for investments in workforce development for providers of services in the fields of behavioral health, primary care, and public health. These investments included the following:

Behavioral Health

- *Addiction Psychiatry and Addiction Medicine Fellowship Programs* - $25 million annually for two years to support additional slots for Addiction Psychiatry and Addiction Medicine Fellowship programs.
- *University and College Training Grants for Behavioral Health Professionals* - $26 million annually for two years to support 4,350 licensed behavioral health professionals through grants to existing university and college training programs, including partnerships with the public sector.
- *Expand Masters in Social Work (MSW) Slots at Public Schools of Social Work* - $30 million annually for two years to support grants to public schools of social work to immediately expand the number of MSW students. $27 million would support the 18 California State University programs and $3 million would support the two University of California programs.
- *Graduate Medical Education and Loan Repayment for Psychiatrists* - $19 million annually for two years to support two training programs for psychiatrists: 1) $5 million annually for two years for graduate medical education slots for psychiatrists, 2) $7 million annually for two years to support loan repayment for psychiatrists that agree to a five year service commitment at the Department of State Hospitals, and 3) $7 million annually for two years to support loan repayment for psychiatrists that agree to a five-year service commitment to provide psychiatric services in a local public behavioral health system with an emphasis on prevention and early intervention services for individuals with serious mental illness likely to become justice-involved or are, or at risk of, experiencing homelessness.

Primary Care

- *Additional Primary Care Residency Slots in Song-Brown* - $10 million annually for three years to support additional primary care residency slots in the Song-Brown Primary Care Residency Program.
- *Clinical Dental Rotations* - $10 million one-time to support new and enhanced community based clinical education rotations for dental students to improve the oral health of underserved populations.
- *Health Information Technology (IT) Workforce* - $15 million one-time to support health IT workforce recruitment and training for health clinics and other providers in underserved communities.
- *California Reproductive Health Service Corps* - $20 million one-time to support targeted recruitment and retention resources, and training programs to ensure a range of clinicians and other health workers can receive abortion training.
- *Certified Nurse Midwives Training* - $1 million one-time to allow certified nurse-midwives to participate in the Song-Brown program, consistent with the Midwifery Workforce Training Act authorized by SB 65 (Skinner), Chapter 449, Statutes of 2021.
- *Nurse Practitioner Postgraduate Training* - $4 million one-time to support Nurse Practitioner postgraduate training slots in primary care within underserved communities through the Song-Brown Healthcare Workforce Training Program.
- *Physician Assistant Postgraduate Training* - $1 million one-time to support Physician Assistant postgraduate training slots in primary care within underserved communities through the Song-Brown Healthcare Workforce Training Program.
- *Golden State Social Opportunities Program* - $10 million Mental Health Services Fund one-time to support postgraduate grants for behavioral health professionals that commit to working in a nonprofit eligible setting for two years, with priority given to individuals that are current or former foster youth and homeless youth.

The 2022 Budget Act also included General Fund expenditure authority of $677.4 million over three years to support the following care economy workforce development investments:

- *Community Health Workers* - $281.4 million over three years to recruit, train and certify 25,000 new community health workers by 2025, with specialized training to work with varying populations, such as justice-involved, people who are unhoused, older adults, or people with disabilities. The Legislature also approved trailer bill language to require HCAI to develop requirements for community health worker certificate programs, and establish other requirements for community health worker certification and renewal.
- *Comprehensive Nursing Initiative* - $220 million over three years to increase the number of registered nurses, licensed vocational nurses, certified nursing assistants, certified nurse midwives, certified medical assistants, family nurse practitioners, and other health professions.
- *Social Work Initiative* - $126 million over three years to increase the number of social workers trained in the state by supporting social work training programs and providing stipends and scholarships for working people to create a new pipeline for diverse social workers who cannot otherwise afford the financial or time investment required to complete full-time training programs.
- *Nursing in Song-Brown* - $50 million over three years to support nurse training slots in the Song-Brown Healthcare Workforce Training Program.

The 2023 Budget Act, to address a General Fund shortfall, implemented a package of delays and fund shifts to a number of the healthcare workforce programs adopted in the 2022 Budget Act. These delays and fund shifts included the following:

- *Community Health Workers.* Delay of $115 million General Fund from 2023-24 until 2024-25 ($57.5 million) and 2025-26 ($57.5 million).
- *Addiction Psychiatry and Addiction Medicine Fellowship Programs.* Shift of $48.5 million from General Fund to Mental Health Services Fund in 2023-24.
- *University and College Training Grants for Behavioral Health Professionals.* Shift of $52 million from General Fund to Mental Health Services Fund in 2023-24.
- *Expand Masters in Social Work Slots at Public Schools of Social Work.* Shift of $30 million from General Fund to Mental Health Services Fund in 2023-24.
- *Social Work Initiative.* Shift of $51.9 million from General Fund to Mental Health Services Fund in 2023-24.

In addition to these fund shifts and delays, the 2023 Budget Act included ongoing General Fund expenditure authority of $2.8 million to support the California Medicine Scholars Program, a pilot project to enable a statewide pathway to medicine to prepare community college students for careers as primary care physicians in underserved communities.

New General Fund and Mental Health Services Fund Budget Solutions at May Revision. HCAI proposes the following General Fund budget solutions at May Revision:

- *Health Care Workforce Reductions – Community Health Workers.* HCAI requests reduction of General Fund expenditure authority of $188.9 million ($6.6 million state operations and $182.3 million local assistance) in 2024-25, and $57.5 million in 2025-26 that currently supports workforce

development programs for community health workers. According to HCAI, if these reductions are approved, $15 million would be available for community health workers programs.

- *Health Care Workforce Reductions – Nursing Initiative.* HCAI requests reduction of General Fund expenditure authority of $70 million ($2.7 million state operations and $67.3 million local assistance) in 2023-24, $70 million ($7 million state operations and $63 million local assistance) in 2024-25, and $70 million in 2025-26 that currently supports workforce development programs for nursing-related professionals. The January budget originally proposed delaying $70 million General Fund from 2023-24 until 2025-26. According to HCAI, if these reductions are approved, no additional funding would be available for the nursing initiative.

- *Health Care Workforce Reductions – Social Work Initiative.* HCAI requests reduction of General Fund expenditure authority of $70.1 million ($3.5 million state operations and $66.6 million local assistance) and expenditure authority from the Mental Health Services Fund of $51.9 million in 2025-26 that currently supports workforce development initiatives to expand the number of social workers in California. The January budget originally proposed delaying these resources from 2023-24 until 2025-26. According to HCAI, if these reductions are approved, no additional funding would be available for the social work initiative.

- *Health Care Workforce Reductions – Addiction Psychiatry and Medicine Fellowships.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $48.5 million in 2025-26 that currently supports addiction psychiatry and addiction medicine fellowships. According to HCAI, if these reductions are approved, approximately $800,000 would be available for addiction psychiatry or addiction medicine fellowships.

- *Health Care Workforce Reductions – University and College Grants for Behavioral Health Professionals.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $52 million in 2025-26 that currently supports expansion of grants for behavioral health professionals. The January budget originally proposed delaying these resources from 2023-24 until 2025-26. According to HCAI, if these reductions are approved, no additional funding would be available for university and college grants for behavioral health professionals.

- *Health Care Workforce Reductions – Expansion of Masters in Social Work Slots.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $30 million in 2025-26 that currently supports expansion of slots for Masters in Social Work (MSW) in California colleges and universities. The January budget originally proposed delaying these resources from 2023-24 until 2025-26. According to HCAI, if these reductions are approved, no additional funding would be available for the expansion of MSW slots in California.

- *Health Care Workforce Reductions – Psychiatry Local Behavioral Health Programs.* HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $7 million in 2025-26 that currently supports loan repayment programs for psychiatrists who agree to a term of service at a local behavioral health department. The January budget originally proposed delaying these resources from 2023-24 until 2025-26. According to HCAI, if these reductions are approved, no additional funding would be available for psychiatry loan repayment programs for local behavioral health.

- *Health Care Workforce Reductions – California Medicine Scholars Program.* HCAI requests reduction of General Fund expenditure authority of $2.8 million in 2024-25, 2025-26, and 2026-27, that currently supports medical professional pipeline programs through the California Medicine Scholars Program. According to HCAI, if these reductions are approved, $2.8 million would remain available for the California Medicine Scholars Program.

- *Health Care Workforce Reductions – Health Professions Careers Opportunity Program.* HCAI requests reduction of annual General Fund expenditure authority of $16 million ($800,000 state operations and $15.2 million local assistance) that currently supports the Health Professions Careers Opportunity Program. According to HCAI, if these reductions are approved, this would be an ongoing reduction of $16 million to the Health Professions Careers Opportunity Program.

- *Health Care Workforce Reductions – Song-Brown Nursing.* HCAI requests reduction of General Fund expenditure authority of $15 million in 2024-25 that currently supports nurse training in the Song-Brown Healthcare Workforce Training Program. According to HCAI, if these reductions are approved, $1 million would be available for nursing training in Song-Brown.

- *Health Care Workforce Reductions – Song-Brown Residencies.* HCAI requests reduction of General Fund expenditure authority of $10 million in 2024-25 that currently supports residency programs in the Song-Brown Healthcare Workforce Training Program. According to HCAI, the ongoing $33 million General Fund resources allocated to Song-Brown residencies would continue in 2025-26 and beyond.

- *Health Care Workforce Reductions – Prior Year Healthcare Workforce.* HCAI requests reduction of General Fund expenditure authority of $231 million ($3.5 million state operations and $227.5 million local assistance) in 2023-24 to reflect unspent prior year funds and current year savings for health care workforce programs.

- *Children and Youth Behavioral Health Initiative – Workforce Programs.* According to HCAI, $208.3 million would be maintained for behavioral health workforce programs implemented as part of the Children and Youth Behavioral Health Initiative. A significant portion of these resources support development and training of certified wellness coaches, recently added as a benefit in the Medi-Cal program. According to the Medi-Cal Local Assistance Estimate, wellness coaches offer six core services, including: 1) wellness promotion and education; 2) screening; 3) care coordination; 4) individual support; 5) group support; and 6) crisis referral.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested HCAI respond to the following:

1. Please provide a brief overview of the proposed reversions and reductions of healthcare workforce programs included in the May Revision.

2. Please provide a brief overview of the healthcare workforce funding and programs that would maintained if these reversions and reductions were approved.

4260 DEPARTMENT OF HEALTH CARE SERVICES

Issue 1: Managed Care Organization Tax – Targeted Rate Increases and Investments

General Fund Budget Solution – May Revision. DHCS requests reduction of General Fund expenditure authority of $75 million in 2023-24, $879 million in 2024-25, $2.4 billion in 2025-26, and $3.4 billion in 2026-27 as a result of eliminating certain proposed targeted rate increases and investments related to the tax on managed care organizations (MCOs) in the January budget. Specifically, DHCS requests the following changes:

- Elimination of 2025 Targeted Rate Increases – DHCS requests reduction in General Fund expenditure authority of $75 million in 2023-24 and $879 million in 2024-25, $2.4 billion in 2025-26, and $2.5 billion in 2026-27 as a result of additional General Fund savings from elimination of targeted rate increases and investments proposed in the January budget. These targeted rate increases and investments would have included: 1) Physician and non-physician health professional services, 2) Community and hospital outpatient procedures and services, 3) Abortion and family planning access, 4) Services and supports for federally qualified health centers (FQHCs) and rural health clinics (RHCs), 5) Emergency department services, 6) Designated public hospitals, 7) Ground emergency medical transportation, 8) Behavioral health throughput, 9) Graduate medical education, and 10) Medi-Cal workforce pool.

- Maintains 2024 Targeted Rate Increases – DHCS maintains expenditure authority from the Medi-Cal Provider Payment Reserve Fund (MPPRF) of $121 million in 2023-24, $291 million in 2024-25, $305 million in 2025-26, and $321 million in 2026-27 to support targeted rate increases for primary care, non-specialty mental health services, and obstetric care to bring rates to at least 87.5 percent of the rate paid by the Medicare program.

- Children's Hospital Directed Payment – DHCS also proposes annual expenditure authority of $230 million ($115 million MPPRF and $115 million federal funds) to support a new directed payment program for children's hospitals.

Background. AB 119 (Committee on Budget), Chapter 13, Statutes of 2023, authorizes the assessment of a tax on managed care organizations operating in California to provide a stable funding source for the delivery of health care services in the Medi-Cal program, and support critical investments to ensure access, quality, and equity. The tiered, enrollment-based managed care organization (MCO) tax will be assessed from April 1, 2023, through December 31, 2026, on all full-service health plans licensed by the Department of Managed Health Care (DMHC) or contracted with the Department of Health Care Services (DHCS) to provide services to Medi-Cal beneficiaries. In addition, AB 119 establishes the Managed Care Enrollment Fund, into which the revenues from the tax will be deposited, and makes those revenues available, upon appropriation by the Legislature, to DHCS for the purposes of funding: 1) the nonfederal share of increased capitation payments to Medi-Cal managed care plans to account for their projected tax obligation, 2) the nonfederal share of Medi-Cal managed care rates for the delivery of health care services to beneficiaries of the Medi-Cal program, and 3) transfers to the Medi-Cal Provider Payment Reserve Fund to support investments in the Medi-Cal program.

Federal Requirements for Health Care Related Taxes. Section 433.68 of Title 42 of the Code of Federal Regulations (42 CFR 433.68) authorizes state Medicaid programs to receive federal financial participation (FFP) for expenditures using health care-related taxes, as long as certain conditions are met. The MCO Enrollment tax qualifies as a health care-related tax. Taxes must be:

1) Broad-based – For a health care related tax to be considered broad based, it must be imposed on all non-federal (e.g. Medicare) and non-public providers in the state or jurisdiction imposing the tax (e.g. local government).
2) Uniformly imposed – For a health care related tax to be considered uniform, it must be applied at the same rate for all affected providers
3) No hold-harmless provisions – A taxpayer cannot be held harmless for the amount of the tax. A taxpayer is considered to be held harmless if there is a correlation between their Medicaid payments and the tax amount, all or any portion of the Medicaid payment varies based only on the tax amount, or the state or other taxing jurisdiction provides for any direct or indirect payment or other offset for all or any portion of the tax amount.

States may apply for waivers to both the broad-based and uniform requirements. For a waiver of the broad-based requirements, a state must demonstrate that the tax is "generally redistributive" by calculating the proportion of tax revenue applicable to Medicaid under a broad-based tax (P1) and comparing it to the same proportion under the proposed tax (P2). A waiver may be approved if the ratio of P1/P2 is at least 0.95, and the excluded providers are in a list of providers defined in the regulation. For a waiver of the uniform requirements, a state must measure the ratio of the slope of a linear regression equation of a broad-based and uniform tax (B1) compared to the proposed tax (B2). The ratio of B1/B2 must be at least 0.95, and the excluded providers are in a list of providers defined in the regulation. The most recent MCO enrollment tax received a waiver of the uniform requirement, and was designed to comply with the required B1/B2 ratio.

2024 Modification to MCO Tax Amounts to Draw Down Additional Federal Funds. SB 136 (Committee on Budget and Fiscal Review), Chapter 6, Statutes of 2024, approved by the Legislature in March 2024, modified the tiered tax amounts for the MCO tax approved by AB 119 to allow the state to draw down approximately $1.5 billion in additional federal funds to offset General Fund expenditures in the Medi-Cal program. As the nonfederal share of Medi-Cal expenditures are typically supported by the state's General Fund, these resources are available to help address the state's General Fund shortfall. The net benefit to the General Fund by fiscal year would be $395 million in 2023-24, $698 million in 2024-25, $467 million in 2025-26, and a net General Fund loss (compared to the previous estimate) of $102 million in 2026-27. The new tax amounts by enrollment tier are as follows (changed amounts highlighted):

MCO Tax – Enrollment Tiers and Tax Amounts *(as modified by SB 136 in March 2024)*						
	Medi-Cal Tier 1	**Medi-Cal Tier 2**	**Medi-Cal Tier 3**	**Other Tier 1**	**Other Tier 2**	**Other Tier 3**
Enrollment:	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*	*Less than 1,250,000*	*1,250,001-4,000,000*	*More than 4,000,001*
2023-24	$0.00	$182.50	$0.00	$0.00	$1.75	$0.00
2024-25	$0.00	$205.00	$0.00	$0.00	$1.75	$0.00
2025-26	$0.00	$205.00	$0.00	$0.00	$2.00	$0.00
2026-27	$0.00	$205.00	$0.00	$0.00	$2.25	$0.00

May Revision Proposes Additional General Fund Savings from MCO Tax. In the May Revision, DHCS is also proposing to increase the tax rate above the level adopted in SB 136. Previously, DHCS believed the overall tax rate on Medi-Cal plans included in SB 136 was within the six percent cap imposed by the federal Centers of Medicare and Medicaid Services (CMS). DHCS now reports that CMS has provided guidance that managed care organization revenue from Medicare lines of business may be counted in the calculation of total revenue from which the six percent cap figure is measured. As a result, DHCS believes it can increase the tax rate on Medi-Cal plans to achieve additional General Fund savings of $689.9 million in 2024-25, $950 million in 2025-26, and $1.3 billion in 2026-27. DHCS also proposes trailer bill language to implement this adjustment to tax rates.

Governor's January Budget Proposed Targeted Rate Increases and Investments. In the Governor's January budget, DHCS requested expenditure authority of $1.9 billion ($774 million Medi-Cal Provider Payment Reserve Fund and $1.1 billion federal funds) in 2024-25, with a total annual impact of $5.4 billion ($2.2 billion Medi-Cal Provider Payment Reserve Fund and $3.2 billion federal funds) by 2026-27, to support targeted rate increases and investments for Medi-Cal providers beginning January 1, 2025. DHCS also proposed trailer bill language to implement these rate increases and investments.

Category	**Estimated Annual Expenditures**
Primary Care, Maternal Care, Mental Health (*eff. 1/1/2024*)	$291,000,000
Physician and Non-Physician Health Professional Services	$975,000,000
Community and Hospital Outpatient Procedures and Services	$245,000,000
Abortion and Family Planning Access	$90,000,000
Services and Supports for FQHCs and RHCs	$50,000,000
Emergency Department (Facility and Physician) Services	$355,000,000
Designated Public Hospitals Reimbursement	$150,000,000
Ground Emergency Medical Transportation	$50,000,000
Behavioral Health Throughput (*eff. 7/1/2025*)	$300,000,000
Graduate Medical Education (*eff. 1/1/2024*)	$75,000,000
Medi-Cal Workforce Pool – Labor-Management Committee	$75,000,000

TOTAL	**$2,656,000,000**

In addition to these ongoing expenditures, the MCO Tax provided support for $150 million one-time for the Distressed Hospital Loan Program, and $50 million one-time for the Small and Rural Hospital Relief for Seismic Assessment and Construction program.

General Fund Budget Solution – May Revision. DHCS requests reduction of General Fund expenditure authority of $75 million in 2023-24, $879 million in 2024-25, $2.4 billion in 2025-26, and $3.4 billion in 2026-27 as a result of eliminating certain proposed targeted rate increases and investments related to the tax on managed care organizations (MCOs) in the January budget. Specifically, DHCS requests the following changes:

- Elimination of 2025 Targeted Rate Increases – DHCS requests reduction in General Fund expenditure authority of $75 million in 2023-24 and $879 million in 2024-25, $2.4 billion in 2025-26, and $2.5 billion in 2026-27 as a result of additional General Fund savings from elimination of targeted rate increases and investments proposed in the January budget. These targeted rate increases and investments would have included: 1) Physician and non-physician health professional services, 2) Community and hospital outpatient procedures and services, 3) Abortion and family planning access, 4) Services and supports for federally qualified health centers (FQHCs) and rural health clinics (RHCs), 5) Emergency department services, 6) Designated public hospitals, 7) Ground emergency medical transportation, 8) Behavioral health throughput, 9) Graduate medical education, and 10) Medi-Cal workforce pool.

- Maintains 2024 Targeted Rate Increases – DHCS maintains expenditure authority from the Medi-Cal Provider Payment Reserve Fund (MPPRF) of $121 million in 2023-24, $291 million in 2024-25, $305 million in 2025-26, and $321 million in 2026-27 to support targeted rate increases for primary care, non-specialty mental health services, and obstetric care to bring rates to at least 87.5 percent of the rate paid by the Medicare program.

- Children's Hospital Directed Payment – DHCS also proposes annual expenditure authority of $230 million ($115 million MPPRF and $115 million federal funds) to support a new directed payment program for children's hospitals.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS respond to the following:

1. Please provide a brief overview of the major adjustments to the MCO Tax Proposal included in the May Revision.

2. Please provide a rationale for the utilization of MCO Tax revenue for a Children's Hospital Directed Payment program, to the exclusion of nearly all other investments in Medi-Cal, in 2025.

Issue 2: Elimination of Acupuncture Benefit in Medi-Cal

General Fund Budget Solution – May Revision. DHCS requests reduction in expenditure authority of $16.7 million ($5.4 million General Fund and $11.2 million federal funds) in 2024-25 and $40.1 million ($13.1 million General Fund and $27 million federal funds) annually thereafter to reflect the elimination of adult acupuncture benefits in the Medi-Cal program.

Background. Federal Medicaid law requires certain benefits to be included in a state's Medicaid plan for providing services to its beneficiaries. In addition to the required benefits, states are authorized to include certain optional benefits for Medicaid beneficiaries. Both mandatory and optional benefits are eligible for federal matching funds. According to the federal Centers for Medicare and Medicaid Services, the mandatory and optional benefits in federal Medicaid laws and regulations are as follows:

Mandatory Benefits	Optional Benefits
Inpatient hospital services	Prescription Drugs
Outpatient hospital services	Clinic services
EPSDT	Physical therapy
Nursing Facility Services	Occupational therapy
Home health services	Speech, hearing and language disorder services
Physician services	Respiratory care services
Rural health clinic services	Other diag./screening/preventive/rehab. services
FQHC services	Podiatry services
Laboratory and X-ray services	Optometry services
Family planning services	Dental Services
Nurse Midwife services	Dentures
Certified Pediatric/Family NP services	Prosthetics
Freestanding Birth Center services	Eyeglasses
Transportation to medical care	Chiropractic services
Tobacco cessation counseling (pregnant women)	Other practitioner services
Medication Assisted Treatment (MAT)	Private duty nursing services
Routine patient costs for qualifying clinical trials	Personal Care
	Hospice
	Case management
	Services for Individuals 65 or Older in an IMD
	Services in an ICF-DD
	State Plan HCBS - 1915(i)
	Self-Directed Pers. Assistance Services- 1915(j)
	Community First Choice Option- 1915(k)
	TB Related Services

	Inpatient psychiatric services-individuals under 21
	Health Homes (for Chronic Conditions)- 1945
	Strategies/treatment/services for sickle cell
	Alternative Benefit Plan
	Other services approved by the Secretary of HHS

Elimination and Restoration of Medi-Cal Optional Benefits. In 2009, facing a significant General Fund deficit, the budget included several reductions in reimbursement and benefits in the Medi-Cal program. AB 5 X3 (Evans), Chapter 20, Statutes of 2009, Third Extraordinary Session, eliminated several optional Medi-Cal benefits, including adult dental services, acupuncture, audiology, speech therapy, chiropractic services, optician and optical lab services, podiatric services, psychology services, and incontinence creams and washes. These benefits were not eliminated for beneficiaries under the Early and Periodic Screening Diagnosis and Treatment Program, beneficiaries in a skilled nursing facility or intermediate care facility, or pregnant beneficiaries. As of the 2019 Budget Act, all optional benefits eliminated in 2009, except for chiropractic services had been restored by the Legislature.

General Fund Budget Solution – May Revision. DHCS requests reduction in expenditure authority of $16.7 million ($5.4 million General Fund and $11.2 million federal funds) in 2024-25 and $40.1 million ($13.1 million General Fund and $27 million federal funds) annually thereafter to reflect the elimination of adult acupuncture benefits in the Medi-Cal program. The elimination of the benefit would occur beginning January 2025.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the proposed elimination of the acupuncture benefit in Medi-Cal.

Issue 3: Elimination of Funding for the Indian Health Program

General Fund Budget Solution – May Revision. DHCS requests reduction in annual General Fund expenditure authority of $23 million to eliminate the Indian Health Grant Program, which provides support for improving the health status of American Indians living in urban, rural, and reservation or Rancheria communities throughout California.

Background. Tribal communities in California and elsewhere experience significant health disparities, including lower life expectancy, disproportionate disease burden, as well as higher prevalence of preterm births, suicide, substance use disorders, drug-induced death, diabetes, and other chronic diseases. The Indian Health Program, established in 1975, is responsible for conducting studies, providing technical and financial assistance, staffing the American Indian Policy Advisory Panel, and coordinating with other similar agencies. Prior to its elimination in 2009 during the Great Recession, the program distributed $6.5 million of local assistance grant funding annually to support clinic infrastructure, including provider salaries, operational costs and training, as well as two regional Traditional Health Programs.

Restoration and Ongoing Funding. The 2022 Budget Act included ongoing General Fund expenditure authority of $12 million to support the Indian Health Program. Of these resources, $434,000 supports three positions at DHCS to administer the program, and $11.6 million supports the following categories of support for the Indian Health Program:

1) Primary care recruitment and retention - $6.4 million supports recruitment and retention efforts for primary care providers, distributed using service population to provider ratios and other factors, such as distance to the nearest source of tertiary care and specialists, vacancy rates, and proximity to medical schools or residency program.
2) Population Service Index - $1.7 million is provided to programs based on the number of individual patients served during the preceding calendar year.
3) Quality measures - $3.5 million is distributed based on federal clinical performance measures including care for patients with diabetes, cancer screening, immunization, behavioral health screening, oral health screenings, pre- and post-natal care, and other prevention measures.

The 2023 Budget Act included an additional $11 million in 2023-24 and $23 million annually thereafter to expand support for the Indian Health Program.

General Fund Budget Solution – May Revision. DHCS requests reduction in annual General Fund expenditure authority of $23 million to eliminate the Indian Health Grant Program, which provides support for improving the health status of American Indians living in urban, rural, and reservation or Rancheria communities throughout California. As a result of this reduction, all General Fund support for the Indian Health Program would be eliminated.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the proposed elimination of funding for the Indian Health Program.

Issue 4: Elimination of Funding for Free Clinics

General Fund Budget Solution – May Revision. DHCS requests reduction of annual General Fund expenditure authority of $2 million that currently supports free clinics.

Background. The 2022 Budget Act included ongoing General Fund expenditure authority of $2 million to support free clinics in California. Free clinics typically rely on volunteer physicians and other medical staff to provide free medical care and connection to other services for underprivileged Californians. There are approximately 33 free clinics in California.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the proposed elimination of funding for free clinics.

Issue 5: Naloxone Distribution Project Augmentation

Local Assistance – May Revision. DHCS requests expenditure authority of $8.3 million from the Opioid Settlements Fund in 2023-24 to expand distribution of naloxone through the Naloxone Distribution Project.

Background. Abuse of opioids has devastated California families and communities over the past several years, with more than 6,800 deaths related to opioid overdoses in 2021, a six-fold increase since 1999. The events and decisions that led to this tragic epidemic are manifold, but one of the biggest contributing factors was opioid manufacturers' and distributors' efforts to promote, market, distribute, and dispense opioid medications to maximize profits, often at the expense of patients who would later develop dependency. These actions led the California Attorney General, in a coalition with attorneys general in 47 other states, to investigate and file suit against manufacturers and distributors of opioids for the damage caused to victims of the opioid epidemic.

Beginning in 2021, the coalition of attorneys general announced several settlement agreements with manufacturers and distributors of opioids:

McKinsey and Company – In February 2021, the Attorney General announced a $573 million nationwide settlement with McKinsey and Company related to the company's role in advising opioid companies, helping those companies promote their drugs, and profiting from the opioid epidemic. In particular, McKinsey advised opioid manufacturers on how to maximize profits from opioid products, including targeting high-volume prescribers, using specific messaging to get physicians to prescribe more opioids to more patients, and circumventing pharmacy restrictions to deliver high-dose prescriptions. According to the Attorney General, California is estimated to receive $59.6 million from this settlement.

Distributors (Cardinal, McKesson, and AmerisourceBergen) and Janssen Pharmaceuticals – In July 2021, the Attorney General announced a $26 billion nationwide settlement with Cardinal, McKesson, and AmerisourceBergen, the three largest pharmaceutical distributors, and Janssen Pharmaceuticals, Inc. (and its parent company Johnson and Johnson) for their role in the opioid epidemic. Under the settlement agreement, the three distributors will collectively pay up to $21 billion over 18 years, while Janssen will pay up to $5 billion over nine years with $3.7 billion to be paid in the first three years. The substantial majority of the money is to be spent on opioid treatment and prevention and each state's share of funding is subject to a formula that considers the impact of the opioid crisis on the state and the population of the state. According to DHCS, California and its cities and counties could receive approximately $2.2 billion for substance use prevention, harm reduction, treatment, and recovery activities pursuant to the settlement.

Purdue Pharma and the Sackler Family – In March 2022, the Attorney General announced a $6 billion nationwide settlement with opioid manufacturer Purdue Pharma, as well as the Sackler family who owns Purdue. The Attorney General estimates California would receive approximately $486 million to fund opioid addiction treatment and prevention.

In addition, the Attorney General announced proposed settlements with Teva and Allergan, as well as pharmacies including Walgreens, Walmart, and CVS. The Attorney General indicates these settlements would provide substantial funds for the abatement of the opioid epidemic in California and require changes in the ways these companies conduct business.

Opioid Settlements Fund. The revenue from these previous and proposed settlement agreements received by California is deposited in the Opioid Settlements Fund (OSF), established in the 2022 Budget Act to receive settlement revenue and allow its use to support state efforts to remediate the impacts of opioid use disorders in California. The 2022 Budget Act included 11 positions and expenditure authority from the Opioid Settlement Fund of $33.9 million in 2022-23 and $2.6 million in 2023-24 and annually thereafter through the terms of California's national opioid settlements, or 18 years. These positions and resources will support oversight of two of the opioid settlements, substance use disorder (SUD) workforce training, establishment of a web-based statewide addiction treatment locator platform, and an outreach and anti-stigma campaign.

In addition, the 2022 Budget Act included expenditure authority from the OSF for the following:

- Naloxone Distribution Project Augmentation - $15 million one-time
- Substance Use Disorder Provider Workforce Training - $51.1 million one-time
- ATLAS Platform Operation and Outreach Campaign - $7.5 million one-time
- Fentanyl Education and Awareness Campaigns - $40.8 million one-time
- Opioid Overdose Data Collection and Analysis - $5 million one-time
- Integrating Employment in Recovery Pilot Project - $4 million one-time

The 2023 Budget Act also included expenditure authority from the OSF of $74.8 million in 2023-24, $35.8 million in 2024-25, $24.8 million in 2025-26, and $24.1 million in 2026-27 for expansion of the Naloxone Distribution Project. The Legislature also approved provisional budget bill language authorizing an increase in expenditure authority from the OSF of up to $15.3 million annually for four years if resources are available in the fund to support additional expansion of the project.

Reductions to Naloxone Distribution Project and California Harm Reduction Initiative. The January budget proposed to reduce expenditure authority from the OSF of $1.4 million in 2023-24, $2.1 million in 2024-25, $1.8 million in 2025-26, and $2.7 million in 2026-27 for the Naloxone Distribution Project, a total $7.9 million reduction in funding.

The January budget also proposed to reduce expenditure authority from the OSF of $1.9 million in 2024-25, $1.6 million in 2025-26, and $2.5 million in 2026-27 for the California Harm Reduction Initiative, a total $6 million reduction in funding.

The proposed restoration of $8.3 million from the OSF in 2023-24 to expand distribution of naloxone through the Naloxone Distribution Project exceeds the total OSF funding proposed to be reduced in the January budget. No restoration of funding for the California Harm Reduction Initiative was proposed in the May Revision.

In addition, the May Revision separately proposes to reduce General Fund expenditure authority to the Naloxone Distribution Project by $61 million annually beginning in 2024-25.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS to respond to the following:

1. Please provide a brief overview of the proposed restoration of OSF funding for the Naloxone Distribution Project.

4260 DEPARTMENT OF HEALTH CARE SERVICES
4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

Issue 1: Lesbian, Gay, Bisexual, and Transgender Disparities Reduction Act (AB 1163)

Budget Change Proposal – May Revision. DHCS and CDPH request resources to support implementation of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023, as follows:

- DHCS requests expenditure authority of $725,000 ($132,000 General Fund and $593,000 federal funds) in 2024-25 to support addition of intersexuality to voluntary self-identification information to be collected by state departments and entities, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023.

- CDPH requests General Fund expenditure authority of $430,000 in 2024-25 and $280,000 in 2025-26 to implement system changes to collect voluntary self-identification information pertaining to intersexuality in the course of collecting demographic data, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023.

Multi-Year Funding Request Summary – DHCS		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$132,000	$-
0890 – Federal Trust Fud	$593,000	$-
Total Funding Request:	**$725,000**	**$-**
Total Requested Positions:	**0.0**	**0.0**

Multi-Year Funding Request Summary – CDPH		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$430,000	$280,000
Total Funding Request:	**$430,000**	**$280,000**
Total Requested Positions:	**0.0**	**0.0**

Background. AB 1163 requires DHCS and CDPH to collect voluntary self-identification information pertaining to intersexuality in the course of collecting demographic data.

CDPH reports it would need to modify infectious disease data systems to include the intersexuality category information. This would entail configuring these systems to enable collection of these data, and updating all of the corresponding data exports for these data to be available for analysis. CDPH would also need health statistic system updates to meet the changes that AB 1163 require, including adding a question to collect intersexuality data to the list of voluntary self-identified questions in the Electronic Birth Registration System and Fetal Death Registration Module.

As of the publication of this agenda, DHCS has not provided its Budget Change Proposal for this item.

Resource Request. As DHCS has not provided its Budget Change Proposal, details are not available for the specific resources requested by the department.

CDPH requests General Fund expenditure authority of $430,000 in 2024-25 and $280,000 in 2025-26 to implement system changes to collect voluntary self-identification information pertaining to intersexuality in the course of collecting demographic data, pursuant to the requirements of AB 1163. Specifically, CDPH requests the following resources:

Center for Infectious Disease - $380,000 in 2024-25, $100,000 in 2025-26

- *California Reportable Disease Information Exchange (CalREDIE).* CDPH requests General Fund expenditure authority of $180,000 in 2024-25 and 2025-26 to make modifications to the California Reportable Disease Information Exchange (CalREDIE) to allow for collection of data elements for reportable diseases, update data exports to provide data for analysis, and update approximately 60 paper forms.
- *California Immunization Registry (CAIR).* CDPH requests General Fund expenditure authority of $200,000 in 2024-25 for design, development, and testing costs associated with adding collection of intersexuality data to the California Immunization Registry (CAIR).
- *Other Data Systems.* CDPH requests General Fund expenditure authority of $100,000 in 2025-26 for design, development, and testing costs associated with adding collection of intersexuality data to other relevant data systems.

Center for Health Statistics and Information - $50,000 in 2024-25

- *Electronic Birth Registration System (EBRS) and Vital Records Business Intelligence System (VRBIS).* CDPH requests General Fund expenditure authority of $50,000 in 2024-25 to support system updates to the Electronic Birth Registration System (EBRS) and Vital Records Business Intelligence System (VRBIS) to add a question to collect intersexuality data to the list of voluntary self-identified questions in EBRS and VRBIS.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested DHCS and CDPH respond to the following:

1. Please provide a brief overview of these proposals.

2. Please discuss the various impacts on collection, analysis, and reporting of data regarding sexual orientation and gender identity (SOGI), as well as intersexuality, of state and federal privacy laws and regulations.

4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH

Issue 1: Elimination of Funding for the Future of Public Health

General Fund Budget Solution – May Revision. CDPH requests reduction of General Fund expenditure authority of $52.5 million in 2023-24 and $300 million annually thereafter that currently supports state and local health departments' investments in additional staff, infrastructure, prevention, infectious disease control, population, health, and emergency preparedness.

The Impact of Public Health. Public health is often invisible to those who most benefit from its work and influence. Many of the advances in civilized society Californians take for granted are made possible by the efforts of public health workers operating in the background of their lives. Public health workers monitor and track outbreaks of infectious diseases, most notably and recently the COVID-19 pandemic, but also outbreaks of measles, hepatitis A, and sexually transmitted infections (STIs). Public health workers make sure the food Californians eat is free of food-borne pathogens and other dangerous contaminants. Public health workers regulate the quality of health facilities, including hospitals, clinics, and nursing homes to ensure the places Californians go to seek medical care are safe, clean, and are capable of providing high-quality services. Public health engages in a wide variety of population health interventions, from the Black Infant Health programs that seek to reduce vast disparities in maternal and infant morbidity and mortality, to Childhood Lead Poisoning Prevention programs that ensure California's kids have a safe place to grow up, to tobacco prevention programs that reduce smoking and lung-related diseases.

Public health becomes most visible to policymakers and the public when it is unsuccessful: an uncontrolled disease outbreak, a failure to protect the food supply, or the persistence of health disparities. As a result, there is a limited constituency to advocate for maintaining adequate funding for essential public health services, often public health workers themselves, healthcare providers, or community-based organizations focused on public health or health disparities. For decades, the level of public investment in public health at the national, state, and local level has been significantly below what is needed for a truly equitable public health system that can keep Californians healthy and safe.

California's Public Health System. The federal Centers for Disease Control and Prevention (CDC) has identified 10 Essential Public Health Services. These services provide a framework for public health systems to protect and promote the health of all people in all communities. The 10 Essential Public Health Services are as follows[1]:

1) Assess and monitor population health status, factors that influence health, and community needs and assets.
2) Investigate, diagnose, and address health problems and hazards affecting the population.
3) Communicate effectively to inform and educate people about health, factors that influence it, and how to improve it.
4) Strengthen, support, and mobilize communities and partnerships to improve health.

[1] Centers for Disease Control and Prevention. Ten Essential Public Health Services (Revised 2020). http://cdc.gov/publichealthgateway/publichealthservices/essentialhealthservices.html. Accessed March 2, 2024.

5) Create, champion, and implement policies, plans, and laws that impact health.
6) Utilize legal and regulatory actions designed to improve and protect the public's health.
7) Assure an effective system that enables equitable access to the individual services and care needed to be healthy.
8) Build and support a diverse and skilled public health workforce.
9) Improve and innovate public health functions through ongoing evaluation, research, and continuous quality improvement.
10) Build and maintain a strong organizational infrastructure for public health.

California's Department of Public Health delivers a broad range of public health programs. Some of these programs complement and support the activities of local health agencies in controlling environmental hazards, preventing and controlling disease, and providing health services to populations who have special needs. Others are primarily state-operated programs, such as those that license health care facilities.

In addition to the state department, 61 local health jurisdictions from each of California's 58 counties and from three cities (Berkeley, Long Beach, and Pasadena) support public health interventions at the local level. Local health jurisdictions are funded by 1991 Realignment funds, local county General Fund, and a variety of state and federal funding streams for specific programs.

The Future of Public Health. The 2022 Budget Act included 404 positions and annual General Fund expenditure authority of $300 million to support the Future of Public Health, a long overdue investment in strengthening state and local public health systems. Of these resources, $99.6 million is available annually for CDPH to address statewide public health priorities, and $200.4 million is available to local health jurisdictions.

CDPH Investments – Six Foundational Services. The Future of Public Health investments in the state public health system are categorized into six foundational services identified by the Future of Public Health Work Group established in 2021 to evaluate public health infrastructure investments. CDPH received 404 positions and $99.6 million for the following programmatic investments, all of which would be eliminated if the Governor's May Revision proposal were approved:

- *Workforce.* 270 positions and General Fund expenditure authority of $58 million annually to increase staffing capacity and to attract, develop, and retain a diverse, multi-disciplinary public health workforce. According to CDPH, these positions and resources support the following initiatives:

    - A multi-channel, proactive, and digitally-enabled recruitment and hiring functions to attract top talent that reflects the diversity of California's population.
    - A simplified, aligned job classification system within CDPH that can be used as a model for local health jurisdictions.
    - A holistic organizational culture transformation at CDPH and at the local level to promote inclusiveness and support employees, incentivizing them to stay and grow into leadership through development support, career pathways, sufficient staffing, salary and non-salary incentives.
    - A culture of growth and learning via a well-structured, up-to-date, and highly accessible training program.

- A comprehensive competency-based performance management system to define necessary competencies across public health roles, assess gaps in skillsets, and track competency development along career progression pathways.
- An operational planning function to develop staffing benchmarks, make sure minimum recommended staffing standards are met at the state and local level, and support agile, strategic workforce deployment based on need.
- An Office of Policy and Planning to conduct strategic planning to address current and emerging threats to public health, be accountable for effective and efficient use of funds, establish clear and quantifiable performance targets, and ensure actions are aligned with strategic priorities and increased equity.

- *Emergency Preparedness and Response.* 77 positions and General Fund expenditure authority of $27.6 million annually for a scalable and sustainable structure that can rapidly identify hazards and deploy resources to mitigate and contain public health threats. These positions and resources support the following initiatives:

  - Developing a 24 hour intelligence hub and surveillance network
  - A dedicated core team to support regular refreshes of planning, training, and exercises
  - Developing a regional resourcing model to support regional coordination with Regional Disaster Medical Health Specialists.
  - Developing a dedicated recovery unit to establish public health recovery guidance after public health events.

- *IT, Data Science, and Informatics.* 133 positions and $235.2 million in 2022-23, 144 positions and $156.6 million in 2023-24, and $61.8 million annually thereafter to support maintenance and operations of information technology systems established during the COVID-19 pandemic. These resources were authorized by a companion proposal specific to these components in the 2022 Budget Act.

- *Communications and Public Education.* 26 positions and General Fund expenditure authority of $4.5 million annually to achieve a proactive, personalized, and highly coordinated communication strategy that meets the varying demands of California's diverse population and provides capacity to tailor messages to effectively reach all Californians. These positions and resources support the following initiatives:

  - Creation of a core public health communications strategy and deployment plan.
  - Bolster operational capabilities and adequate capacity to effectively disseminate communications.

- *Community Partnerships.* Five positions and General Fund expenditure authority of $2.9 million to achieve a holistic partnership network engaged to support California's state and local public health efforts. These positions and resources support the following initiatives:

  - Development of a community partnership strategy and plan to outline roles and intended capabilities of community partners in supporting California's public health mission.
  - Dedicated community engagement personnel to deliver personalized outreach and uptake of an overarching community partnership strategy.

- *Community Health Improvement.* 23 positions and General Fund expenditure authority of $6.1 million annually to provide a comprehensive community health improvement strategy that emphasizes a life-course approach, resiliency, equity, and prevention. These positions and resources support the following initiatives:

    - Community health financing strategies that emphasize a life-course approach to health and public health prevention.
    - Dedicated community health improvement team to support policy making across agencies.
    - Development and implementation of a behavioral mental health program to address the current behavioral and mental health crisis in the state.

Local Health Jurisdiction Funding. The Future of Public Health investments in the state's 61 local health jurisdictions provide $200.4 million allocated annually based on the following methodology:

- Each jurisdiction receives a base funding amount of $350,000 per year. After this allocation, the remaining balance of the annual funding will be provided proportionally as follows:

    - 50 percent based on most recent population data
    - 25 percent based on most recent poverty data
    - 25 percent based on most recent share of the population that is Black/African American, Latinx, or Native Hawaiian/Pacific Islander

According to CDPH, the distribution of funds for 2023-24 through 2025-26 by local health jurisdiction were as follows:

Future of Public Health Funding – Local Health Jurisdictions				
Local Health Jurisdiction	**Amount Funded**		**Local Health Jurisdiction**	**Amount Funded**
Alameda	$6,537,374		Orange	$13,351,733
Alpine	$354,669		Pasadena	$1,033,025
Amador	$487,482		Placer	$1,661,462
Berkeley	$912,213		Plumas	$420,397
Butte	$1,224,383		Riverside	$11,782,061
Calaveras	$515,889		Sacramento	$7,072,450
Colusa	$459,468		San Benito	$647,267
Contra Costa	$4,844,667		San Bernardino	$11,284,416
Del Norte	$474,087		San Diego	$14,356,108
El Dorado	$1,015,644		San Francisco	$3,639,888
Fresno	$6,126,172		San Joaquin	$4,031,505
Glenn	$482,368		San Luis Obispo	$1,459,610
Humboldt	$938,349		San Mateo	$3,141,653
Imperial	$1,568,105		Santa Barbara	$2,433,999
Inyo	$423,621		Santa Clara	$7,296,326
Kern	$5,381,815		Santa Cruz	$1,475,452

Kings	$1,175,830		Shasta	$1,031,180
Lake	$641,433		Sierra	$362,059
Lassen	$481,278		Siskiyou	$538,801
Long Beach	$2,807,624		Solano	$2,186,187
Los Angeles	$47,328,331		Sonoma	$2,174,091
Madera	$1,217,976		Stanislaus	$2,975,808
Marin	$1,241,952		Sutter	$787,927
Mariposa	$421,598		Tehama	$642,801
Mendocino	$723,894		Trinity	$405,254
Merced	$1,882,112		Tulare	$3,085,604
Modoc	$394,124		Tuolumne	$543,960
Mono	$403,629		Ventura	$3,857,269
Monterey	$2,563,477		Yolo	$1,397,659
Napa	$896,612		Yuba	$707,793
Nevada	$690,079		**TOTAL**	**$200,400,000**

Once local health jurisdictions receive the funding, they must certify that the funding will only be used to supplement, rather than supplant, existing levels of services supported by local funds. These funds must also be used in the following proportions:

- 70 percent of the funds must support the hiring of permanent city or county staff, including benefits and training.
- 30 percent may be used for equipment, supplies, and other administrative purposes, such as facility space, furnishings and travel.

Each local health jurisdiction must also submit a three-year Local Public Health Workplan and yearly Spend Plan, beginning in the 2023-24 fiscal year, with the following requirements:

1) Each Workplan should be informed by a Community Health Assessment (CHA), Community Health Improvement Plan (CHIP), and/or a Strategic Plan.
2) If a CHA or CHIP has not been completed, the Workplan should describe how the local health jurisdiction will identify and address relevant community health issues and provide a plan and target data for completion of a CHA and CHIP.
3) The Workplan and Spend Plan should describe what positions the local health jurisdiction plans to hire and how it will support local objectives in which it has direct influence.
4) The Workplan should include an evaluation plan and metrics.
5) Local health jurisdictions will be required to measure and evaluate the process and outcome of hiring permanent staff.

In addition to the three-year planning requirements, a local health jurisdiction must annually present updates to its Board of Supervisors or City Council on the state of the jurisdiction's public health. This update must identify the most prevalent current cases of morbidity and mortality, causes of morbidity and mortality with the most rapid three-year growth rate, and health disparities. The presentation must also provide an update on progress addressing these issues through the strategies and programs identified in the Workplan, as well as identify policy recommendations for addressing these issues.

Local Health Departments – Use of Future of Public Health Investments. According to the local health departments, approximately 1,115 staff have been hired statewide to support local population health, infectious disease prevention, and other essential public health services. Some specific examples of how local health departments are using Future of Public Health funding, programs that would likely be eliminated if the Governor's May Revision proposal were approved, include:

Local Impact Stories. Below are a few stories of how these funds are working. Please note that I'm providing small excerpts and that they fund other things beyond what I'm noting. We are working to compile more and will share updates:

- **Butte County** added positions to the county's Infectious Disease Control Program, including an immunization coordinator to implement campaigns and ensure access to vaccines. The county's infection prevention nurse supports congregate living facilities. These funds also support the multiple disease investigators and public health nurses currently working on a possible shigella outbreak in the homeless population.

- **Contra Costa County** utilized funding to hire staff to fill essential gaps in programs like HIV outreach and surveillance, communicable disease surveillance and case management (for tuberculosis, COVID-19, hepatitis C, and syphilis). Funding also supports the county's COVID-19 response team and intake team, and supports all lab reconciliations and outbreak technical assistance for local skilled nursing facilities and elderly care facilities. They have five public health nurses and five clerks supporting this unit

- **Fresno County** launched a mobile health program bringing providers from Saint Agnes Medical Center and UCSF to residents in the Central valley. Mobile services have been offered at over 60 events serving 300 patients as of October 2023.

- **Kern County** created a Healthcare Associated Infection Prevention Program to work with healthcare facilities to investigate and reduce transmission high risk infections like Candida auris and drug-resistant organisms, in the most high-risk and vulnerable populations. The county has an outreach team conducting door-to-door canvassing to educate residents on a variety of health topics and resources. The county also uses funds to provide HIV and STD testing and education throughout all 8,000 square miles of Kern County, providing an opportunity for early detection and treatment of these diseases, as well as an opportunity for education about risk reduction for those who test negative.

- **Lake County** hired staff to provide services through a mobile RV unit to bring additional immunizations, STI screening, street medicine and community education to very rural and isolated areas of the county.

- **Los Angeles County** utilizes funds to support the county's communicable disease control outbreak response, community embedded disease intervention specialists, community health workers, public facing call center staff (who provide 7-day-a-week direct services to community members in all threshold languages to answer questions, provide referrals, and address questions and concerns), the Community Public Health Teams, Communications and Government Affairs functions (to develop and deliver targeted, responsive messaging to communities that are most disproportionately impacted

by adverse health outcomes, including underserved and non-English speaking populations, and to increase responsiveness to the county's 88 cities that rely on the county for current and timely information sharing), and K-12 education sector engagement. The county's funded staff are currently responding to the hepatitis A outbreak and also providing education on silicosis.

- **Long Beach** utilizes funding to support tuberculosis outbreak efforts. The city is also funding two Nurse Practitioners that provide direct patient care for its HIV and STI clinic. The city also hired a PrEP Navigator and HIV and STI Outreach staff person, both of whom are critical to addressing equity and the high rates of these diseases in the Long Beach community.

- **Monterey County** utilized funding to expand their laboratory, epidemiology and public health preparedness efforts by adding an assistant laboratory director, a supervising public health epidemiologist and a chronic disease prevention coordinator. The county also established a Healthy Housing Program to monitor homes for health and safety hazards like mold, which harms many of the county's BIPOC communities.

- **Pasadena's** investigative and response team, including a Supervising public health nurse and two public health nurses funded by these dollars conduct enhanced case investigation to surrounding neighborhoods including over 100 households and conduct enhanced surveillance activities in response to California's first known case of locally acquired dengue in October 2023. The department also recently detected a second locally acquired dengue case through its continued neighborhood surveillance project and requested voluntary blood draws from households with elevated risks (symptomatic, history of travel to places where dengue is present, etc.). The second case was asymptomatic and had no history of travel. The department sent the sample for genomic sequencing and received results in the past week and shared that information community this week – coupled with recommended actions residents should take to protect themselves from mosquitos.

- **San Luis Obispo County** hired a Health Improvement Plan manager to partner with community members and community-based organizations to address the most challenging health issues, housing, access to care, and behavioral health. The county also hired a trilingual outreach worker (English, Spanish, Mixteco) to assist low-income, underserved populations with getting public health and human service needs met.

- **Santa Clara County** used these funds for wastewater surveillance and data systems, and hired 30 public health personnel including disease investigators, data scientists, community outreach workers and nurses.

- **Solano County** funded an infection prevention coordinator to work with long term care facilities, protecting the county's most vulnerable residents.

Panel Discussion. The subcommittee has convened the following panelists to discuss how the proposed elimination of General Fund support for the Future of Public Health would impact our state and local public health systems:

- **Kim Saruwatari,** Public Health Director, Riverside County
- **Aimee Sisson**, Health Officer, Yolo County

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CDPH respond to the following:

1. Please provide a brief overview of the state and local impacts of the elimination of General Fund support for the Future of Public Health.

Issue 2: AIDS Drug Assistance Program Loan to the General Fund

General Fund Budget Solution – Governor's Budget. The Governor's January budget proposes to loan $500 million from the ADAP Rebate Fund to the General Fund to support the General Fund shortfall. The 2023 Budget Act similarly included a $400 million loan from the fund to the General Fund. According to CDPH, the fund is expected to maintain a reserve of $176.7 million after program expenditures and the loans to the General Fund in 2024-25. According to CDPH, these resources were available for loan to the General Fund due to higher than expected rebate collections from drug manufacturers providing medications for the ADAP program.

Background. The AIDS Drug Assistance Program Rebate Fund (Rebate Fund) was created to deposit all rebates collected from drug manufacturers on drugs purchased through the AIDS Drugs Assistance Program (ADAP). ADAP receives both mandatory and voluntary supplemental rebates from drug manufacturers for ADAP medication expenditures. These rebate funds support state operations and local assistance expenditures in the program, which provides access to life-saving medications for Californians living with HIV and assistance with costs related to pre-exposure prophylaxis (PrEP) and post-exposure prophylaxis (PEP) medications for Californians at risk of acquiring HIV.

The 2020 Budget Act included provisional budget bill language to provide for a loan of up to $100 million from the ADAP Rebate Fund to the General Fund. The provisional language required the repayment of all or a portion of the loan if the Director of Finance determined that any of the following circumstances exist: (a) the fund or account from which the loan was made had a need for the moneys to maintain a prudent reserve of not less than 40 percent of operating expenses in the previous year for the ADAP Program, (b) the fund or account from which the loan was made had a need for the moneys to maintain a prudent reserve due to a decrease in federal funding, (c) the fund or account from which the loan was made had a need for the moneys to provide drugs and services through the ADAP Program or the HIV prevention program, (d) the fund or account from which the loan was made had a need for the moneys to increase eligibility criteria or add new drugs and services to the ADAP Program or the HIV prevention program, or (e) there was no longer a need for the moneys in the fund or account that received the loan. This loan was repaid in 2021-22.

The 2023 Budget Act similarly included a loan from the ADAP Rebate Fund to the General Fund for $400 million to help address the state's General Fund shortfall. This loan has not been repaid. For the end of the 2023-24 fiscal year, as of the January budget, CDPH estimates a reserve balance in the fund of $670.1 million, after accounting for the $400 million loan.

General Fund Budget Solution – Governor's Budget. The Governor's January budget proposes to loan $500 million from the ADAP Rebate Fund to the General Fund to support the General Fund shortfall. CDPH estimates a fund reserve balance of $176.7 million after program expenditures and the loans to the General Fund proposed for 2024-25. According to CDPH, these resources were available for loan to the General Fund due to higher than expected rebate collections from drug manufacturers providing medications for the ADAP program.

Early Action and May Revision Adjustments. During early action taken by the Legislature in April 2024 to address the General Fund budget shortfall, the Administration and the Legislature agreed to approve the $500 million loan to the General Fund with the following adjustments:

1) Inclusion of provisional budget bill language strengthening the repayment provisions of the loan, similar to the language included in the 2020 Budget Act.
2) Set aside of $23 million of ADAP Rebate Fund to support several reforms and program expansions to help reduce the incidence and transmission of HIV/AIDS in California, as well as other public health goals.
3) A commitment by the Administration to work with the Legislature and stakeholders on an expenditure plan for the significant balance of ADAP Rebate Funds when they are repaid, to be proposed in the January budget for 2025-26, to make significant progress on reducing the incidence and transmission of HIV/AIDS in California.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the ADAP Rebate Fund Loan to the General Fund.

2. How will the Administration monitor expenditures and cash flow in ADAP to ensure the program does not suffer from funding shortfalls as a result of these loans?

3. Please describe the additional investments set aside during early action, and the Administration's assessment of funding sources for these investments.

Issue 3: Children and Youth Behavioral Health Initiative Reductions

General Fund Budget Solution – May Revision. CDPH requests the following reversions and reductions of General Fund expenditure authority related to the Children and Youth Behavioral Health Initiative (CYBHI):

- *CYBHI – Youth Suicide Reporting and Crisis Response Pilot Program.* CDPH requests to revert General Fund expenditure authority of $13.5 million, originally approved in the 2022 and 2023 Budget Acts, and a reduction of General Fund expenditure authority of $1.5 million in 2024-25, that currently supports youth suicide reporting and crisis response pilot program.

- *CYBHI – Public Education and Change Campaign Elimination.* CDPH requests reduction of General Fund expenditure authority of $40 million in 2024-25 and $5 million in 2025-26 to reflect elimination of the Children and Youth Behavioral Health Initiative Public Education and Change Campaign.

Background – Youth Suicide Reporting and Crisis Response Pilot Program. The 2022 Budget Act included General Fund expenditure authority of $25 million in 2022-23 and $25 million in 2023-24 to develop and implement a three-year Youth Suicide Reporting and Crisis Response Pilot Program in at least four counties or regions to test models for making youth suicide and attempted suicide a reportable event and rapidly and comprehensively responding with crisis services and follow-up support.

Background - Public Education and Change Campaign. The 2021 Budget Act included General Fund expenditure authority of $5 million in 2021-22, $50 million in 2022-23, $40 million in 2024-25, and $5 million in 2025-26 for CDPH to conduct a comprehensive and linguistically proficient public education and change campaign to raise behavioral health literacy to normalize and support the prevention and early intervention of mental health and substance use challenges.

Subcommittee Staff Comment and Recommendation—Hold Open

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview of the impacts of elimination of the Youth Suicide Reporting and Crisis Response Pilot Program under CYBHI.

2. Please provide a brief overview of the impacts of the elimination of the public education and change campaign under CYBHI.

Issue 4: California Cancer Registry

Budget Change Proposal – May Revision. CDPH requests one position and General Fund expenditure authority of $271,000 in 2024-25 and $91,000 in 2025-26 and 2026-27 for the department to develop and monitor new compliance requirements for pathologists reporting to the California Cancer Registry, pursuant to the requirements of SB 344 (Rubio), Chapter 867, Statutes of 2023.

Multi-Year Funding Request Summary		
Fund Source	**2024-25**	**2025-26**
0001 – General Fund	$271,000	$91,000
Total Funding Request:	**$271,000**	**$91,000**
Total Requested Positions:	**1.0**	**1.0**

Background. The California Cancer Registry (CCR) is California's statewide population-based cancer surveillance system. The CCR collects information about all cancers diagnosed in California (except basal and squamous cell carcinoma of the skin and carcinoma in situ of the cervix). In 1985, the Legislature approved legislation to require mandatory statewide population-based cancer reporting, which was fully implemented in 1988. The CCR and regional registries use the submitted data to write summary reports that inform the public, local health workers, educators, and legislators about the status of cancer. Researchers may examine these data to identify areas that have high cancer rates and areas where people might benefit from cancer screening and education programs, or to look at trends in cancer diagnosis. Other uses include, but are not limited to, measuring the success of cancer screening programs; examining disparities in cancer risk, treatment and survival; examining treatment choices and other predictors of survival; responding to public concerns and questions about cancer; and, conducting research to find the causes and cures of cancer. The CCR and regional registries are permitted to release patient contact information to qualified researchers, who may contact patients to find out if they want to participate in a research study. However, information is only released to qualified researchers under tightly controlled circumstances where the research has first been approved by the Committee for the Protection of Human Subjects.

The CCR is now recognized as one of the leading cancer registries in the world. Due to the size and diversity of the California population, more is now known about the occurrence of cancer in diverse populations than ever before. The CCR has proven to be the cornerstone of a substantial amount of cancer research in the California population.

Ongoing Funding Challenges for CCR. Maintenance and operation of CCR is supported by a combination of General Fund, Proposition 99, and federal funds resources. The state is required to provide a match for the federal dollars it receives. Because of the decline of Proposition 99 revenue, the state's commitment to CCR has declined as CDPH has not backfilled the declining revenue with state General Fund. In recent budget cycles, advocates have raised concerns about the lack of funding for CCR, noting that interruption of data collection for the registry would result in a discontinuity of longitudinal data on incidences of cancer in the state, which would significantly reduce the effectiveness and utility of the data collected and hamstring efforts to detect trends or changes in incidence rates or other criteria. According to CDPH, with some recent availability of federal funds, it would require approximately $800,000 in 2024-25 to maintain flat funding for CCR.

SB 344 Imposes New Requirements for CCR Reporting. SB 344 (Rubio), Chapter 867, Statutes of 2023, imposes new reporting requirements on providers statewide related to submission of electronic pathology reports to CCR. SB 344 requires CDPH to notify pathologists of any deficiencies related to these submissions to CCR and provide an opportunity to cure the deficiency when CDPH determines the reports are not of sufficient quality. CDPH reports these requirements would impose compliance tracking and follow up workload for the department.

Budget Change Proposal – May Revision. CDPH requests one position and General Fund expenditure authority of $271,000 in 2024-25 and $91,000 in 2025-26 and 2026-27 for the department to develop and monitor new compliance requirements for pathologists reporting to the California Cancer Registry, pursuant to the requirements of SB 344 (Rubio), Chapter 867, Statutes of 2023. Specifically, CDPH requests the following position and resources:

- One **Personnel Health Program Specialist II** position would identify and correct deficiencies; review, approve, and contribute to communications to inform pathologists and stakeholders about CCR quality efforts; and participate in the preparation of technical content for reports and corresponding budget requests to assist in data quality and operational efforts.
- $91,000 for the Office of Legal Services to support promulgation of new regulations.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested CDPH to respond to the following:

1. Please provide a brief overview this proposed request for resources.

2. Please provide a brief overview of the consequences of insufficient funding for the CCR, including impacts on data reporting and analysis.

4800 COVERED CALIFORNIA

Issue 1: Partial Individual Mandate Penalty Transfer to the General Fund

General Fund Budget Solution – May Revision. Among other budget solutions, the Administration requests annual transfer of $109 million of expenditure authority from the Health Care Affordability Reserve Fund to the General Fund, beginning in 2025-26. These resources are derived from individual mandate penalty payments made by Californians unable to obtain health care coverage.

Individual Mandate Penalty. The 2019 Budget Act included trailer bill language to implement a penalty on individuals that fail to maintain minimum essential coverage during a coverage year, to encourage enrollment in the absence of the federal individual mandate penalty. The minimum penalty is $695 for adults in a household and $347.50 for each child. The revenue from the penalty was originally intended to offset General Fund expenditures for a state subsidy program to make coverage more affordable for individuals purchasing coverage in the Covered California health benefit exchange. However, with the passage of the federal Inflation Reduction Act, expanded federal subsidies far exceeded the levels provided under the state subsidy program, and the individual mandate penalty revenue instead reverted to support the state's General Fund without any additional help to improve health insurance affordability.

Health Care Affordability Reserve Fund. The 2021 Budget Act included trailer bill language to establish the Health Care Affordability Reserve Fund, as well as a transfer of General Fund resources of $333.4 million, which is the revenue the Administration estimates the state would receive from the individual mandate penalty in that fiscal year. The reserve fund was meant to provide available resources to support state subsidies if the more generous federal subsidies are not extended beyond the 2022 coverage year, or if the state implements future health care affordability measures.

State Cost-Sharing Reduction Subsidies. The 2023 Budget Act included expenditure authority from the Health Care Affordability Reserve Fund of $82.5 million in 2023-24 and $165 million annually thereafter to support a program of financial assistance for individuals purchasing coverage in the Covered California health benefit exchange. For the 2025 coverage year, these subsidies will result in elimination of deductibles and reduction in copayments and other health care cost sharing for the nearly 1.8 million Californians that purchase coverage through the exchange. The Legislature also approved trailer bill language to require all revenues collected from the individual mandate penalty to be annually deposited in the Health Care Affordability Reserve Fund to be used by Covered California to improve affordability in the health benefit exchange. The 2023 Budget Act also authorized a loan of up to $600 million from the fund to the General Fund to support the General Fund shortfall.

General Fund Budget Solution – May Revision. Among other budget solutions, the Administration requests annual transfer of $109 million of expenditure authority from the Health Care Affordability Reserve Fund to the General Fund, beginning in 2025-26. These resources are derived from individual mandate penalty payments made by Californians unable to obtain health care coverage. As of the January budget, the Administration estimates the state will receive approximately $322 million in 2024-25 from the individual mandate penalty.

Subcommittee Staff Comment and Recommendation—Hold Open.

Questions. The subcommittee has requested the Department of Finance respond to the following:

1. Please provide the rationale for this transfer of individual mandate penalty revenue ongoing, beginning in 2025-26.

2. How would these transfers impact the ability of the Health Care Affordability Reserve Fund to mitigate adverse federal actions or inactions, including the non-renewal of Inflation Reduction Act premium subsidy enhancements?

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 3 Agenda

Senator Caroline Menjivar, Chair
Senator Susan Talamantes Eggman, Ph.D.
Senator Shannon Grove
Senator Richard D. Roth

Thursday, May 30, 2024
9:30am, or upon adjournment of session
1021 O Street – Room 1200

Consultants: Scott Ogus & Elizabeth Schmitt

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

Vote Only Items: Senate Budget Subcommittee # 3 Health and Human Services

Issue	Org Code	Department	Proposal	Hearing Date	Summary	Staff Recommendation
0530 CalHHS						
1	0530	CalHHS	HHS Innovation Accelerator	2/29/2024 5/16/2024	January Budget: CalHHS requests to revert and delay General Fund expenditure authority of $42 million in 2023-24 and $32 million in 2024-25, approved in the 2023 Budget Act, for the CalHHS Innovation Accelerator. This project, which intends to pursue innovative opportunities for addressing major health challenges, such as diabetes-related morbidity and mortality, disparities in maternal and infant mortality, and preventing and mitigating infectious disease, would be delayed until 2025-26 and 2026-27. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: CalHHS proposes to revert General Fund expenditure authority of $1 million in 2023-24, $42 million in 2025-26, and $32 million in 2026-27 for the Health and Human Services Innovation Accelerator, approved in the 2023 Budget Act. These resources were proposed for delay until 2026-27 and 2027-28 in the January budget and this delay was approved during early action as part of AB 106 (Gabriel), Chapter 9, Statutes of 2024. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
2	0530	CalHHS	ePOLST Registry Reappropriation	5/16/2024	May Revision: CalHHS requests expenditure authority from the CalHHS Automation Fund of $6.3 million in 2024-25 to support planning and implementation for the Electronic Physician Orders for Life Sustaining Treatment (ePOLST) Registry. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
3	0530	CalHHS	Central Registry/CEMSIS Reappropriation	5/16/2024 5/20/2024	May Revision: CalHHS requests six positions and expenditure authority of $2.1 million in 2024-25 to support planning and implementation of the California EMS Central Registry Replacement Project and reprocurement for the California EMS Information System (CEMSIS). This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
4	0530	CalHHS	CA Initiative to Advance Precision Medicine - Transfer to CalHHS	5/16/2024	May Revision: CalHHS requests transfer of General Fund expenditure authority of $31.5 million from the Office of Planning and Research (OPR) in 2024-25 to reflect the shift of the California Initiative to Advance Precision Medicine from OPR to CalHHS. This proposal was heard by the subcommittee during its May 16th hearing.	Reject, conforming with action in Sub 5.
5	multiple	CDSS/DHCS	Safety Net Reserve (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Draws down the full $900 million Safety Net Reserve.	Modify. Instead, withdraw $450 million from the Safety Net Reserve.

6	0530	CalHHS OYCR	Transfer of Title II federal grant to Office of Youth and Community Restoration (GB)	This proposal was heard at the Subcommittee's February 29, 2024 hearing.	Shifts the federal Title II Grant Program administration functions to the Office of Youth and Community Restoration (OYCR) effective July 1, 2024. This includes corresponding trailer bill.	Approve as Budgeted (AAB). Adopt placeholder trailer bill consistent with the Administration's proposal. Conforming action in Sub 5.
7	0530	CalHHS OYCR	Trailer Bill: Transfer of All Juvenile Justice grants to OYCR (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Transfers administration of 2011 juvenile realignment grants from the Board of State and Community Corrections (BSCC) to OYCR. Taken with the GB proposal to shift administration of one federal Title II grant from BSCC to OYCR, this would effectuate the transfer of the administration of juvenile grants from BSCC to OYCR as required by Welfare and Institutions Code 2200 (which requires that all juvenile justice grant administration functions at the BSCC move to OYCR by January 1, 2025.)	Adopt placeholder trailer bill consistent with the Administration's proposal and and modify to reject removal of audit authority for OYCR. Restore provisions that make Juvenile Reentry Grant contingent on reporting of data. Reject amendment to WIC 2200(h). Conforming action in Sub 5.
8	0530	CalHHS OYCR	Delay Reformulation of Juvenile Justice Realignment Block Grant (JJRBG) (GB)	This proposal was heard at the Subcommittee's February 29, 2024 hearing.	Delays the development of a new distribution methodology for the JJRBG from January 2024 to January 2025.	Adopt placeholder trailer bill consistent with the Administration's proposal. Conforming action in Sub 5.
9	0530	CalHHS OYCR	Secure Youth Treatment Facility (SYTF) Data	This proposal was heard at the Subcommittee's February 29, 2024 and May 9, 2024 hearing.	Existing budget bill language requires time-limited reporting of SYTF data by counties to OYCR.	Adopt placeholder legislative trailer bill to make permanent and expand required SYTF data reporting. Conforming action in Sub 5.
10	0530	CalHHS OTSI/CDSS	Child Welfare Services - California Automated Response and Engagement System Project (CWS-CARES) (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	$173.4 million ($88.1 million General Fund, $84.3 million federal funds, and $988,000 reimbursements) for 2024-25, along with provisional language to increase project expenditure authority up to an additional $52 million ($26 million General Fund). The requested funding and positions provide the resources to continue the design, development, and implementation activities for the Child Welfare Services – California Automated Response and Engagement System (CWS-CARES) and CARES-Live.	Approve as Budgeted.
11	0530	CalHHS/DDS	Master Plan for Developmental Services (GB)	This proposal was heard at the Subcommitee's March 21, 2024 hearing.	Establishes a Master Plan for Developmental Services, led by a Master Plan for Developmental Services Committee, which will recommend changes to developmental services in California.	Adopt legislative trailer bill to codify the Master Plan for Developmental Services.
Health Items						
0977 California Health Facilities Financing Authority (CHFFA)						

12	0977	CHFFA	Specialty Dental Clinic Grant Program - Elimination	2/29/2024 5/16/2024	January Budget: CHFFA proposes to revert total General Fund expenditure authority of $48.8 million, originally authorized in the 2022 Budget Act, to support the Specialty Dental Clinic Grant Program. According to the Governor's January budget summary, the Administration intends to reauthorize funding to implement this program in the 2025 Budget Act. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: CHFFA requests reduction of General Fund expenditure authority of $48.8 million in 2025-26 to support the Specialty Dental Clinic Program, eliminating the program. These resources were originally proposed for delay from 2023-24 and 2024-25 until 2025-26 in the January budget. This proposal was heard by the subcommittee during its May 16th hearing.	Reject delay and reduction.
13	0977	CHFFA	Distressed Hospital Loan Program - Technical Fix TBL	2/29/2024	Legislative/CHFFA Proposal: CHFFA proposes trailer bill language to extend the deadline to utilize funds for the administration of the Distressed Hospital Loan Program from June 30, 2026, to December 31, 2031. This proposal was not included in the Governor's January budget. This proposal was heard by the subcommittee during its February 29th hearing.	Adopt modified placeholder TBL, consistent with the request by CHFFA.
4120 Emergency Medical Services Authority (EMSA)						
14	4120	EMSA	Maintenance and Repair of Critical Bio-Medical Equipment	2/29/2024	January Budget: EMSA requests annual General Fund expenditure authority of $2 million. If approved, these resources would allow EMSA to maintain critical biomedical equipment and medical supplies acquired during the COVID-19 pandemic, and provide lifesaving resuscitative and medical surge services to relieve suffering for disaster victims during pandemics or other catastrophic emergencies. This proposal was heard by the subcommittee during its February 29th hearing.	Approve as budgeted.
15	4120	EMSA	CEMSIS Maintenance and Operations	2/29/2024	January Budget: EMSA requests General Fund expenditure authority of $4.2 million in 2024-25 and $4.4 million in 2025-26. If approved, these resources would allow EMSA to continue maintenance and operations for the California Emergency Medical Services Information System. This proposal was heard by the subcommittee during its February 29th hearing.	Approve as budgeted.
16	4120	EMSA	Storage of Emergency Medical Response Equipment and Supplies	2/29/2024	January Budget: EMSA requests General Fund expenditure authority of $3 million in 2024-25, $3.1 million in 2025-26, and $3.2 million in 2026-27. If approved, these resources would support continued storage and security of emergency medical response equipment and supplies. This proposal was heard by the subcommittee during its February 29th hearing.	Approve as budgeted.

17	4120	EMSA	California EMS Data Resource System Reversion	5/16/2024	May Revision: EMSA requests reversion of General Fund expenditure authority of $2.3 million approved in the 2021 Budget Act for the California EMS Data Resource System. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
18	4120	EMSA	ePOLST Registry Staffing and Reappropriation	5/16/2024	May Revision: EMSA requests three positions and reappropriation of General Fund expenditure authority of $6.6 million, originally approved in the 2021 Budget Act, to support the planning, development, and implementation of the Electronic Physician Orders for Life Sustaining Treatment (ePOLST) Registry. The reappropriation of these funds would extend their availability from June 30, 2024, until June 30, 2025. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
19	4120	EMSA	Central Registry/CEMSIS Reappropriation	5/16/2024	May Revision: EMSA requests reappropriation of General Fund expenditure authority of up to $3 million, originally approved in the 2021 Budget Act, to support planning and implementation of the California EMS Central Registry Replacement Project, and reprocurement of the California EMS Information System (CEMSIS). This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
20	4120	EMSA	Increased Emergency Preparedness and Response Resources Adjustment	5/16/2024	May Revision: EMSA requests a reduction of annual General Fund expenditure authority of $5.5 million to correct and align resources for the Increased Emergency Preparedness and Response Capability Resources proposal approved in the 2021 Budget Act. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
21	4120	EMSA	Community Paramedicine and Triage to Alt Destination Act (AB 767)	5/16/2024	May Revision - Chaptered Legislation: EMSA requests three positions and General Fund expenditure authority of $686,000 in 2024-25, $606,000 in 2025-26, and $432,000 annually thereafter to support implementation of AB 767 (Gipson), Chapter 270, Statutes of 2023, which extends and expands the scope of the Community Paramedicine or Triage to Alternate Destination Act. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
22	4120	EMSA	EMS Liability Limitation (AB 1376)	5/16/2024	May Revision - Chaptered Legislation: EMSA requests General Fund expenditure authority of $200,000 in 2024-25 to support implementation of AB 1376 (Juan Carrillo), Chapter 474, Statutes of 2023, which limits criminal or civil liability for private ambulance providers for detaining an individual at the request of a peace officer, facility staff, or other professionals. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

23	4120	EMSA	EMT "No Surprises" Rate Reporting (AB 716)	5/16/2024	May Revision - Chaptered Legislation: EMSA requests two positions and General Fund expenditure authority of $521,000 in 2024-25 and $321,000 annually thereafter to develop and publish a report on the allowable maximum rates for ground ambulance transportation services in each county, pursuant to the requirements of AB 716 (Boerner), Chapter 454, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
24	4120	EMSA	Ambulance Patient Offload Time (AB 40)	5/16/2024	May Revision - Chaptered Legislation: EMSA requests four positions and General Fund expenditure authority of $1.2 million in 2024-25 and $696,000 annually thereafter to streamline patient transfers, reduce delays, and enhance coordination between EMS agencies and hospitals to decrease ambulance patient offload time, pursuant to the requirements of AB 40 (Rodriguez), Chapter 793, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
4140 Department of Health Care Access and Information (HCAI)						
25	4140	HCAI	CalRx Technical Adjustment - Naloxone Position Authority	2/29/2024	January Budget: HCAI requests three positions, supported with previously approved expenditure authority, to administer the Naloxone Access Initiative at CalRx. This proposal was heard by the subcommittee during its February 29th hearing.	Approve as budgeted.
26	4140	HCAI	Alignment of Health Workforce Development Program	2/29/2024	January Budget: HCAI requests 16 positions, supported by previously authorized expenditure authority, to implement new and expanding health workforce development programs and initiatives. This proposal was heard by the subcommittee during its February 29th hearing.	Approve as budgeted.
27	4140	HCAI	Health Care Workforce Reductions - Psychiatry Loan Repayment (DSH)	2/29/2024	January Budget: HCAI requests reduction of $14 million ($7 million General Fund and $7 million Mental Health Services Fund) would be reverted from resources allocated in the 2022 and 2023 Budget Acts to support a psychiatry loan repayment program for psychiatrists who agree to a term of service at the Department of State Hospitals. This proposal was heard by the subcommitee during its February 29th hearing, and was adopted in early action by the Legislature in AB 106 (Gabriel), Chapter 9, Statutes of 2024.	EARLY ACTION/AB 106

28	4140	HCAI	Health Care Workforce Reductions - Psychiatry Loan Repayment (Local)	2/29/2024 5/16/2024 5/20/2024	January Budget: HCAI requests delay of $7 million Mental Health Services Fund from 2023-24 until 2025-26 that currently supports a psychiatry loan repayment program for psychiatrists who agree to a term of service providing care for a local behavioral health department. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reversion of $7 million General Fund, approved in the 2021 Budget Act, that currently supports a psychiatry loan repayment program for psychiatrists who agree to a term of service providing care for a local behavioral health department. This proposal was heard by the sucommittee during its May 16th and May 20th hearings.	Modify: 1) Reject $7 million reversion of General Fund resources to maintain current award commitments 2) Approve delay of $7 million Mental Health Services Fund from 2023-24 until 2025-26.
29	4140	HCAI	Health Care Workforce Reductions - Community Health Workers	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of General Fund expenditure authority of $188.9 million ($6.6 million state operations and $182.3 million local assistance) in 2024-25, and $57.5 million in 2025-26 that currently supports workforce development programs for community health workers. According to HCAI, if these reductions are approved, $15 million would be available for community health workers programs. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
30	4140	HCAI	Health Care Workforce Reductions - Nursing Initiative	2/29/2024 5/16/2024 5/20/2024	January Budget: HCAI requests delay of $70 million General Fund from 2024-25 until 2025-26 that currently supports the Comprehensive Nursing Initiative. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reduction of General Fund expenditure authority of $70 million ($2.7 million state operations and $67.3 million local assistance) in 2023-24, $70 million ($7 million state operations and $63 million local assistance) in 2024-25, and $70 million in 2025-26 that currently supports workforce development programs for nursing-related professionals. According to HCAI, if these reductions are approved, no additional funding would be available for the nursing initiative. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.

31	4140	HCAI	Health Care Workforce Reductions - Social Work Initiative	2/29/2024 5/16/2024 5/20/2024	January Budget: HCAI requests delay of $51.9 million Mental Health Services Fund from 2023-24 and $70.1 million General Fund from 2024-25 until 2025-26 that currently supports the Social Work Initiative. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reduction of General Fund expenditure authority of $70.1 million ($3.5 million state operations and $66.6 million local assistance) and expenditure authority from the Mental Health Services Fund of $51.9 million in 2025-26 that currently supports workforce development initiatives to expand the number of social workers in California. According to HCAI, if these reductions are approved, no additional funding would be available for the social work initiative. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
32	4140	HCAI	Health Care Workforce Reductions - Addiction Psych/Medicine Fellowships	5/20/2024	January Budget: HCAI requests delay of $$48.5 million Mental Health Services Fund from 2023-24 until 2025-26 that currently supports addiction psychiatry and addiction medicine fellowships. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $48.5 million in 2025-26 that currently supports addiction psychiatry and addiction medicine fellowships. According to HCAI, if these reductions are approved, approximately $800,000 would be available for addiction psychiatry or addiction medicine fellowships. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
33	4140	HCAI	Health Care Workforce Reductions - Univ/Coll Training for BH Professionals	2/29/2024 5/16/2024 5/20/2024	January Budget: HCAI requests delay of $52 million Mental Health Services Fund from 2023-24 until 2025-26 that currently supports university and college training grants for behavioral health professionals. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $52 million in 2025-26 that currently supports expansion of grants for behavioral health professionals. According to HCAI, if these reductions are approved, no additional funding would be available for university and college grants for behavioral health professionals. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.

34	4140	HCAI	Health Care Workforce Reductions - Expand MSW Slots at Colleges/Univs	5/16/2024 5/20/2024	January Budget: HCAI requests delay of $30 million Mental Health Services Fund from 2023-24 until 2025-26 that currently supports expansion of Masters in Social Work slots at public schools of social work. This proposal was heard by the subcommittee during its February 29th hearing. May Revision: HCAI requests reduction of expenditure authority from the Mental Health Services Fund of $30 million in 2025-26 that currently supports expansion of slots for Masters in Social Work (MSW) in California colleges and universities. According to HCAI, if these reductions are approved, no additional funding would be available for the expansion of MSW slots in California. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
35	4140	HCAI	Health Care Workforce Reductions - California Medicine Scholars Program	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of General Fund expenditure authority of $2.8 million in 2024-25, 2025-26, and 2026-27, that currently supports medical professional pipeline programs through the California Medicine Scholars Program. According to HCAI, if these reductions are approved, $2.8 million would remain available for the California Medicine Scholars Program. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Modify: 1) Restore $14 million of General Fund resources to maintain current award commitments.
36	4140	HCAI	Health Care Workforce Reductions - Health Prof Careers Opp Program	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of annual General Fund expenditure authority of $16 million ($800,000 state operations and $15.2 million local assistance) that currently supports the Health Professions Careers Opportunity Program. According to HCAI, if these reductions are approved, this would be an ongoing reduction of $16 million to the Health Professions Careers Opportunity Program. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Modify: 1) Restore $13.5 million of General Fund resources in 2024-25 to maintain current award commitments.
37	4140	HCAI	Health Care Workforce Reductions - Song-Brown Nursing	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of General Fund expenditure authority of $15 million in 2024-25 that currently supports nurse training in the Song-Brown Healthcare Workforce Training Program. According to HCAI, if these reductions are approved, $1 million would be available for nursing training in Song-Brown. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Modify: 1) Restore $16.8 million of General Fund resources in 2024-25 to maintain current award commitments.
38	4140	HCAI	Health Care Workforce Reductions - Song-Brown Residencies	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of General Fund expenditure authority of $10 million in 2024-25 that currently supports residency programs in the Song-Brown Healthcare Workforce Training Program. According to HCAI, the ongoing $33 million General Fund resources allocated to Song-Brown residencies would continue in 2025-26 and beyond. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Modify: 1) Restore $74.1 million of General Fund resources in 2024-25 to maintain current award commitments.

39	4140	HCAI	Health Care Workforce Reductions - Prior Year Workforce Savings	5/16/2024 5/20/2024	May Revision: HCAI requests reduction of General Fund expenditure authority of $231 million ($3.5 million state operations and $227.5 million local assistance) in 2023-24 to reflect unspent prior year funds and current year savings for health care workforce programs. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted.
40	4140	HCAI	Primary Care Clinic Modernization (SB 779)	5/16/2024	May Revision - Chaptered Legislation: HCAI requests five positions and expenditure authority from the California Health Data and Planning Fund of $2.4 million in 2024-25, 13 positions and $2.9 million in 2025-26, and 15 positions and $3.1 million annually thereafter to support changes in clinic reporting requirements pursuant to SB 779 (Stern), Chapter 505, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
41	4140	HCAI	Hospital Supplier Diversity Reporting Program (AB 1392)	5/16/2024	May Revision - Chaptered Legislation: HCAI requests four positions and expenditure authority from the California Health Data and Planning Fund of $718,000 in 2024-25 and 2025-26, five positions and $1.9 million in 2026-27, and $1.7 million annually thereafter, to support implementation of required planning by hospitals for increasing the diversity of procured vendors, pursuant to the requirements of AB 1392 (Rodriguez), Chapter 840, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
42	4140	HCAI	CalRx Technical Adjustment - Biosimilar Insulin Development	5/16/2024	May Revision: HCAI requests General Fund expenditure authority of $5.2 million in 2023-24 to reflect a carryover amount in the CalRx Biosimilar Insulin program. This proposal was heard by the subcommittee during its May 16th hearing	Approve as budgeted.
43	4140	HCAI	Public Health Nurses Cert Fee - Transfer to Board of Reg Nursing TBL	5/16/2024	May Revision: HCAI requests transfer of General Fund expenditure authority of $3.3 million in 2023-24 to the Board of Registered Nursing to reflect the transfer of public health nurse certification fee waiver programs. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
44	4140	HCAI	Behavioral Health Transfor	5/16/2024	May Revision: HCAI requests three positions and expenditure authority from the Mental Health Services Fund of $631,000 in 2024-25 to support the planning, implementation and oversight of the Behavioral Health Services Act Workforce Initiative, pursuant to the requirements of SB 326 (Eggman), Chapter 790, Statutes of 2023, and Proposition 1, approved by voters in March 2024.	Approve as budgeted.
45	4140	HCAI	Wellness Coaches - Standards and Reporting	Not Heard	The Legislature proposes provisional budget bill language to set standards and report on implementation of the new wellness coach certification and benefit.	Adopt modified placeholder provisional budget bill language consistent with the Legislature's proposal.
4150 Department of Managed Health Care (DMHC)						

46	4150	DMHC	Dental Benefits and Rate Review (AB 1048)	5/16/2024	May Revision - Chaptered Legislation: DMHC requests three positions and expenditure authority from the Managed Care Fund of $1.4 million in 2024-25 and $1.4 million annually thereafter to review annual health and dental plan filings, issue determinations on dental rates changes, adopt emergency regulations, and issue guidance to health plans, pursuant to the requirements of AB 1048 (Wicks), Chapter 557, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
47	4150	DMHC	Health Care Coverage - Doulas (AB 904)	5/16/2024	May Revision - Chaptered Legislation: DMHC requests two positions and expenditure authority from the Managed Care Fund of $449,000 in 2024-25, $436,000 in 2025-26, and $437,000 in 2026-27, to collect and submit data to the Legislature describing doula coverage and programs, pursuant to the requirements of AB 904 (Calderon), Chapter 349, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
48	4150	DMHC	Biomarker Testing (SB 496)	5/16/2024	May Revision - Chaptered Legislation: DMHC requests three positions and expenditure authority from the Managed Care Fund of $799,000 in 2024-25, five positions and $1.2 million in 2025-26, $1.5 million in 2026-27, and $1.5 million annually thereafter to review utilization management and quality assurance documents, issue all-plan letters, provide legal guidance, address consumer complaints and conduct independent medical reviews for coverage of biomarker testing, pursuant to the requirements of SB 496 (Limón), Chapter 401, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
49	4150	DMHC	Information Technology Security and Workload	5/16/2024	May Revision: DMHC requests nine positions and expenditure authority from the Managed Care Fund of $1.9 million in 2024-25 and $1.9 million annually thereafter, to allow DMHC to resolve information technology audit findings and comply with the Cal-Secure five-year plan to enhance cybersecurity maturity and effectively identify and manage risk to the state. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
50	4150	DMHC	Executive and Management Support Workload	5/16/2024	May Revision: DMHC requests seven positions and expenditure authority from the Managed Care Fund of $1.6 million in 2024-25 and $1.5 million annually thereafter to support high-level managerial and executive workload, and properly align staff allocation and reporting structures. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
51	4150	DMHC	Help Center Program Workload Augmentation	5/16/2024	May Revision: DMHC requests 35 positions and expenditure authority from the Managed Care Fund of $6.4 million in 2025-26 and $6.1 million annually thereafter, to address increased workload in the department's Help Center. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

52	4150	DMHC	Health Care Svc Plans Discipline: Civil Penalties (SB 858) Reappropriation	5/16/2024	May Revision: DMHC requests reappropriation of expenditure authority from the Managed Care Fund of $3.8 million, originally approved in the 2023 Budget Act, through June 30, 2025, to support contract procurement to implement discipline and civil penalty provisions of SB 858 (Wiener), Chapter 985, Statutes of 2022.. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
53	4150	DMHC	Managed Care Fund Loan to the General Fund	EARLY ACTION	January Budget: DMHC requests a loan of $22.9 million in 2024-25 from the Managed Care Fund to the General Fund. This proposal was adopted as part of the early action plan adopted by the Legislature in April 2024.	Approve as budgeted.
4260 Department of Health Care Services (DHCS)						
54	4260	DHCS	Medi-Cal Local Assistance Estimate	5/16/2024	May Revision: The May 2024 Medi-Cal Local Assistance Estimate includes $157.3 billion ($37.2 billion General Fund, $96.7 billion federal funds, and $23.5 billion special funds and reimbursements) for expenditures in 2023-24, and $159.1 billion ($35.6 billion General Fund, $98.4 billion federal funds, and $25.2 billion special funds and reimbursements) for expenditures in 2024-25. This local assistance estimate was heard by the subcommittee during its May 16th hearing.	Approve the balance of the technical adjustments to the Medi-Cal Local Assistance Estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.
55	4260	DHCS	Family Health Local Assistance Estimate	5/16/2024	May Revision: The May 2024 Family Health Local Assistance Estimate includes $259.5 million ($227.7 million General Fund, $5.2 million federal funds, and $26.7 million special funds and reimbursements) for expenditures in 2023-24, and $276.4 million ($244.4 million General Fund, $5.5 million federal funds, and $26.4 million special funds and reimbursements) for expenditures in 2024-25. This local assistance estimate was heard by the subcommittee during its May 16th hearing.	Approve the balance of the technical adjustments to the Family Health Local Assistance Estimate, as updated for the May Revision, with any changes necessary to conform to other actions that have been, or will be, taken.
56	4260	DHCS	CalAIM MLTSS and D-SNP Integration - Transition to State Operations	4/4/2024	January Budget: DHCS requests to shift expenditure authority of $6.6 million ($3.3 million General Fund and $3.3 million federal funds) for three years from local assistance to state operations. If approved, this shift would allow DHCS to align technical assistance contracts for the California Advancing and Innovating Medi-Cal (CalAIM) Managed Long-Term Services and Supports (MLTSS) and Dual-Eligible Special Needs Plan (D-SNP) integration with other technical assistance contracts managed by DHCS. This proposal was heard by the subcommittee during its May 4th hearing.	Approve as budgeted.

57	4260	DHCS	Managed Care Capitation Payment Systems Support	4/4/2024	January Budget: DHCS requests five positions and expenditure authority of $926,000 ($233,000 General Fund and $693,000 federal funds) in 2024-25, and $881,000 ($221,000 General Fund and $660,000 federal funds) annually thereafter. If approved, these positions and resources would allow DHCS to provide ongoing support to the Capitation Payment Management System (CAPMAN) and Electronic Accounting Management Interface (EAMI) systems that manage capitation payments in the Medi-Cal program. This proposal was heard by the subcommittee during its April 4th hearing.	Approve as budgeted.
58	4260	DHCS	Narcotic Treatment Program Licensing Trust Fund	5/2/2024	January Budget: DHCS requests expenditure authority from the Narcotic Treatment Program Licensing Trust Fund of $500,000 annually. If approved, these resources would allow the DHCS Licensing and Certification Division to utilize licensure fee revenue from this fund to support program oversight. This proposal was heard by the subcommittee during its May 2nd hearing.	Approve as budgeted.
59	4260	DHCS	Managed Care Organization Tax	5/16/2024 5/20/2024	May Revision: DHCS proposes trailer bill language to increase the Managed Care Organization (MCO) tax rate above the level adopted in early action by the Legislature in SB 136 (Committee on Budget and Fiscal Review), Chapter 6, Statutes of 2024. Previously, DHCS believed the overall tax rate on Medi-Cal plans included in SB 136 was within the six percent cap imposed by the federal Centers of Medicare and Medicaid Services (CMS). DHCS now reports that CMS has provided guidance that managed care organization revenue from Medicare lines of business may be counted in the calculation of total revenue from which the six percent cap figure is measured. As a result, DHCS believes it can increase the tax rate on Medi-Cal plans to achieve additional General Fund savings of $689.9 million in 2024-25, $950 million in 2025-26, and $1.3 billion in 2026-27. DHCS also proposes trailer bill language to implement this adjustment to tax rates. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve and adopt placeholder trailer bill language consistent with the Administration's proposal.

60	4260	DHCS	Medi-Cal Targeted Provider Rate Increases and Investments	4/18/2024 5/20/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $75 million in 2023-24, $879 million in 2024-25, $2.4 billion in 2025-26, and $3.4 billion in 2026-27 as a result of the following changes to the expenditure plan for the managed care organization (MCO) tax: 1) Elimination of 2025 Targeted Rate Increases – DHCS requests reduction in General Fund expenditure authority of $75 million in 2023-24 and $879 million in 2024-25, $2.4 billion in 2025-26, and $2.5 billion in 2026-27 from elimination of targeted rate increases and investments scheduled to begin January 1, 2025. 2) Maintains 2024 Targeted Rate Increases – DHCS maintains expenditure authority from the Medi-Cal Provider Payment Reserve Fund (MPPRF) of $121 million in 2023-24, $291 million in 2024-25, $305 million in 2025-26, and $321 million in 2026-27 to support targeted rate increases for primary care, non-specialty mental health services, and obstetric care. 3) Children's Hospital Directed Payment – DHCS also proposes annual expenditure authority of $230 million ($115 million MPPRF and $115 million federal funds) to support a new directed payment program for children's hospitals.	Modify: 1) Approve rate increases and investments, beginning January 1, 2026, that include the same categories as the Administration's original proposal, as well as additional legislative investments. A small group of these investments will begin on January 1, 2025. 4) The changes to these investments result in net savings of $75 million in 2023-24, $689.9 million in 2024-25, $1.3 billion in 2025-26, and $956 million in 2026-27. 3) Approve Administration's proposal to maintain the targeted rate increases for primary care, non-specialty mental health services, and obstetric care for 2024. 4) Reject the proposed directed payment program for children's hospitals. 5) Adopt modified placeholder trailer bill language, consistent with the Legislature's proposal.
61	4260	DHCS	Medi-Cal Drug Rebate Special Fund	4/4/2024 5/16/2024	January Budget: DHCS requests to transfer reserves balances in the Medi-Cal Drug Rebate Fund of $135.1 million in 2023-24 and $27.6 million in 2024-25 to the General Fund. This transfer is intended to address the state's General Fund shortfall. This proposal was heard during the subcommittee's April 4th hearing. May Revision: DHCS requests to withdraw its request to transfer reserve balances in the Medi-Cal Rebate Fund due to lower than expected transfers of rebate revenue into the fund. This proposal was heard during the subcommittee's May 16th hearing as part of the Medi-Cal Local Assistance Estimate.	Approve as budgeted.

62	4260	DHCS	Behavioral Health Continuum Infrastructure Program Funding	5/2/2024 5/16/2024	January Budget: DHCS requests to delay $140.1 million of General Fund expenditure authority for the Behavioral Health Continuum Infrastructure Program from 2024-25 until 2025-26. This proposal was heard during the subcommittee's May 2nd hearing. May Revision: DHCS requests reversion of General Fund expenditure authority of $70 million in 2024-25 and $380.7 million in 2025-26, originally approved in the 2022 Budget Act, for the final round of the Behavioral Health Continuum Infrastructure Program (BHCIP). This proposal was heard during the subcommittee's May 16th hearing.	Modify: 1) Restore all General Fund resources for BHCIP and shift into 2025-26, 2026-27, 2027-28, and 2028-29 after utilization of all Prop 1 Bond funds. 2) The net fiscal effect of this fund shift and delay of General Fund expenditures, will be General Fund savings of $326 million in 2024-25, $709.8 million in 2025-26, $7.3 million in 2026-27, and General Fund costs of $367.5 million in 2027-28 and $225 million in 2028-29.
63	4260	DHCS	Behavioral Health Bridge Housing Funding	5/2/2024 5/16/2024	January Budget: DHCS requests to delay expenditure authority from the Mental Health Services Fund of $265 million, originally approved in the 2023 Budget Act, from 2023-24 until 2025-26, for support of the Behavioral Health Bridge Housing program. In addition, DHCS also requests to shift the delayed expenditure authority from the Mental Health Services Fund to the General Fund, due to a shortfall in the availability of Mental Health Services Fund resources. DHCS also requests to delay General Fund expenditure authority of $235 million for the Behavioral Health Bridge Housing program, also approved in the 2023 Budget Act, from 2024-25 until 2025-26. This proposal was heard during the subcommittee's May 2nd hearing. May Revision: DHCS requests reduction of General Fund expenditure authority of $132.5 million in 2024-25 and $207.5 million in 2025-26, and an increase in expenditure authority from the Mental Health Services Fund of $90 million in 2025-26, for the final rounds of grants for Behavioral Health Bridge Housing. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
64	4260	DHCS	Children and Youth Behavioral Health Fee Schedule TBL	5/2/2024	January Budget: DHCS proposes trailer bill language to authorize a contract with a third party administrator to administer the school-linked statewide behavioral health provider network and fee schedule authorized by the Children and Youth Behavioral Health Initiative. The language would also authorize the imposition of a fee on health care service plans, insurers, and Medi-Cal managed care plans to support the contract with the third party administrator. This proposal was heard during the subcommittee's May 2nd hearing.	Approve and adopt placeholder trailer bill language consistent with the Administration's proposal.

65	4260	DHCS	Clinic Workforce Stablization Payments	4/4/2024	January Budget: DHCS proposes trailer bill language to authorize cancellation of the transfer of $14.9 million of unspent clinic workforce stabilization payments to HCAI for clinic workforce development programs. This proposal was heard during the subcommittee's April 4th hearing.	Approve and adopt placeholder trailer bill language consistent with the Administration's proposal.
66	4260	DHCS	Eliminate Two-Week Checkwrite Hold Buyback	4/4/2024	January Budget: DHCS requests to eliminate the planned buyback of the two-week hold on fee-for-service Medi-Cal payments each June until the following fiscal year. If approved, this proposal would result in General Fund savings of $532.5 million in 2024-25 and is intended to address the state's General Fund shortfall. This proposal was heard during the subcommittee's April 4th hearing.	Approve as budgeted.
67	4260	DHCS	CYBHI Reduction - Evidence-Based and Comm-Defined Evid. Practices	5/16/2024	May Revision: DHCS requests reversion of General Fund expenditure authority of $47.1 million, originally approved in the 2022 Budget Act, that currently supports grants for evidence-based and community-defined evidence practices for behavioral health. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
68	4260	DHCS	CYBHI Reduction - School-Linked Partnership/Capacity Grants (CCC)	5/16/2024	May Revision: DHCS requests reversion of General Fund expenditure authority of $30 million in 2023-24 and $70 million in 2024-25, originally approved in the 2021 and 2022 Budget Acts, that currently supports school-linked partnership and capacity grants to community college campuses. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
69	4260	DHCS	CYBHI Reduction - School-Linked Partnership/Capacity Grants (UC/CSU)	5/16/2024	May Revision: DHCS requests reversion of General Fund expenditure authority of $50 million, originally approved in the 2021 and 2022 Budget Acts, that currently supports school-linked partnership and capacity grants to University of California and California State University campuses. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
70	4260	DHCS	CYBHI Reduction - BH Services and Supports Platform	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $140 million in 2024-25 that currently supports the Behavioral Health Services and Supports Platform. This proposal was heard during the subcommittee's May 16th hearing.	Modify: 1) Reduce all General Fund expenditure authority for the Behavioral Health Services and Supports Platform, resulting in total annual General Fund savings of $359.6 million beginning in 2024-25.
71	4260	DHCS	Health Enrollment Navigators Reduction	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $18 million in 2024-25 that currently supports health enrollment navigators. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
72	4260	DHCS	Health Enrollment Navigators for Clinics Reduction	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $8 million in 2024-25 that currently supports health enrollment navigators for clinics. This proposal was heard during the subcommittee's May 16th hearing.	Reject reduction.

73	4260	DHCS	Free Clinics Reduction	5/16/2024	May Revision: DHCS requests reduction of annual General Fund expenditure authority of $2 million that currently supports free clinics. This proposal was heard during the subcommittee's May 16th hearing.	Reject reduction.
74	4260	DHCS	Naloxone Dist Project and Medication Assisted Treatment Reduction	5/16/2024	May Revision: DHCS requests reduction of annual General Fund expenditure authority of $61 million that currently supports the Naloxone Distribution Project and medication assisted treatment. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
75	4260	DHCS	Naloxone Dist Project Augmentation	5/16/2024 5/20/2024	May Revision: DHCS requests expenditure authority of $8.3 million from the Opioid Settlements Fund in 2023-24 to expand distribution of naloxone through the Naloxone Distribution Project. This proposal was heard during the subcommittee's May 16th and May 20th hearings.	Modify: 1) Restore $2.4 million from the Opioid Settlements Fund in 2024-25 to the Naloxone Distribution Project. 2) Restore $1.9 million from the Opioid Settlements Fund in 2024-25 to the Overdose Prevention and Harm Reduction Initiative. 3) Allocate $4 million to support the California Bridge Center to provide technical assistance and analysis to clinicians, navigators, hospitals, jails, counties, and health plans regarding prevention and navigation to treatment for opioid use disorders.
76	4260	DHCS	Acupuncture Benefit - Elimination	5/16/2024 5/20/2024	May Revision: DHCS requests reduction in expenditure authority of $16.7 million ($5.4 million General Fund and $11.2 million federal funds) in 2024-25 and $40.1 million ($13.1 million General Fund and $27 million federal funds) annually thereafter to reflect the elimination of adult acupuncture benefits in the Medi-Cal program. This proposal was heard during the subcommittee's May 16th and May 20th hearings.	Reject reduction and benefit elimination
77	4260	DHCS	Equity and Practice Transformation Payments Reduction	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $43.8 million in 2024-25, $67.5 million in 2025-26, and $168.8 million in 2026-27 that currently supports equity and practice transformation grants to Medi-Cal providers. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
78	4260	DHCS	IGT Admin Fee for Enhanced Payment Pool and Quality Incentive Pool	5/16/2024	May Revision: DHCS requests reduction in General Fund expenditure authority of $37 million in 2024-25 and $74 million annually thereafter to reflect implementation of a fee on intergovernmental transfers that draw down additional federal funding for Medi-Cal in the Enhanced Payment Program and Quality Incentive Pool. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.

79	4260	DHCS	Major Risk Medical Insurance Program - Elimination	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $78.9 million in 2024-25, $2.7 million in 2025-26, and $2.5 million annually thereafter to reflect elimination of the Major Risk Medical Insurance Program (MRMIP), which provides health care coverage for individuals unable to obtain coverage in the individual health insurance market because of pre-existing conditions. DHCS also requests increased expenditure authority from the Health Care Services Fines and Penalties Fund of $78.4 million in 2024-25, $2.2 million in 2025-26, and $2 million annually thereafter. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted and adopt modified placeholder trailer bill, consistent with the Administration's proposal, with additional language to ensure continuity of care and coverage for MRMIP beneficiaries.
80	4260	DHCS	Proposition 56 Backfill Fund Shift	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $145.4 million in 2024-25, and an offsetting transfer of $145.4 million of expenditure authority from the Managed Care Enrollment Fund to continue funding for provider rate increases and other investments supported by Proposition 56 tobacco tax revenue. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
81	4260	DHCS	Quality Sanctions Penalties	5/16/2024	May Revision: DHCS requests reduction in General Fund expenditure authority of $1 million in 2024-25 to reflect use of quality sanctions on Medi-Cal managed care plans to support the Medi-Cal program. DHCS also proposes trailer bill language to implement this change. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.
82	4260	DHCS	Freeze Medi-Cal County Administration Increase	5/16/2024	May Revision: DHCS requests reduction of General Fund expenditure authority of $20.4 million in 2024-25, $42 million in 2025-26, $65 million in 2026-27, and $88.8 million in 2027-28 that currently supports increases for county administration workers that determine eligibility for the Medi-Cal program. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted and adopt modified placeholder trailer bill language, consistent with the Administration's proposal, but with additional language to resume annual increases for county administration workers beginning in 2028-29.
83	4260	DHCS	Indian Health Program - Elimination	5/16/2024	May Revision: DHCS requests reduction in annual General Fund expenditure authority of $23 million to eliminate the Indian Health Grant Program, which provides support for improving the health status of American Indians living in urban, rural, and reservation or Rancheria communities throughout California. This proposal was heard during the subcommittee's May 16th and May 20th hearings.	Reject reduction and program elimination.

84	4260	DHCS	Abortion Provider Protections (SB 487)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests three positions and expenditure authority of $469,000 ($235,000 General Fund and $234,000 federal funds) in 2024-25 and $442,000 ($221,000 General Fund and $221,000 federal funds) annually thereafter to protect abortion providers from various sanctions, pursuant to SB 487 (Atkins), Chapter 261, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
85	4260	DHCS	Behavioral Health (SB 43)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests six positions and expenditure authority of $1.1 million ($539,000 General Fund and $538,000 federal funds) in 2024-25 and $1 million ($512,000 General Fund and $511,000 federal funds) annually thereafter to support changes to conservatorship criteria under the Lanterman-Petris-Short Act pursuant to the requirements of SB 43 (Eggman), Chapter 637, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
86	4260	DHCS	Behavioral Health Transformation - BHSA (SB 326)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests one-time expenditure authority of $116.5 million ($16.9 million General Fund, $28.2 million Mental Health Services Fund, $31.6 million Opioid Settlements Fund, and $39.8 million federal funds) in 2024-25 to support implementation of the Behavioral Health Services Act, as reflected in SB 326 (Eggman), Chapter 790, Statutes of 2023, and Proposition 1, approved by voters in March 2024. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
87	4260	DHCS	Behavioral Health Transformation - BH Infrastructure Bond Act (AB 531)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests three positions to support implementation of the Behavioral Health Infrastructure Bond Act, as reflected in AB 531 (Irwin), Chapter 789, Statutes of 2023, and Proposition 1, approved by voters in March 2024. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
88	4260	DHCS	HOPE California - Secured Residential Treatment Pilot Program (AB 1360)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests one position and General Fund expenditure authority of $153,000 in 2024-25 and $144,000 annually between 2025-26 and 2028-29 to support Hope California, a secured residential treatment pilot program in Sacramento and Yolo counties, authorized by AB 1360 (McCarty), Chapter 685, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.

89	4260	DHCS	LEA Billing Option Program (AB 483)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests 19 positions and expenditure authority of $1.9 million ($957,000 reimbursements and $957,000 federal funds) in 2024-25 and $3.1 million ($1.5 million reimbursements and $1.5 million federal funds) annually thereafter to reform audit and settlements in the Local Educational Agencies Medi-Cal Billing Option Program (LEA-BOP), pursuant to the requirements of AB 483 (Muratsuchi), Chapter 527, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
90	4260	DHCS	Medicare Part A Buy-In (SB 311)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests five positions and expenditure authority of $1 million ($509,000 General Fund and $509,000 federal funds) in 2024-25 to implement a Medicare Part A Buy-In for certain dually eligible Medi-Cal beneficiaries, pursuant to the requirements of SB 311 (Eggman), Chapter 707, Statutes of 2023. DHCS also requests reduction in expenditure authority in local assistance of $41.4 million ($1.3 million General Fund and $40.1 million federal funds) annually to reflect Medi-Cal savings related to the program. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
91	4260	DHCS	Naloxone Distribution Project Tribal Govts Technical Assistance (AB 1233)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests expenditure authority of $162,000 ($81,000 Opioid Settlement Fund and $81,000 federal funds) in 2024-25 and $153,000 ($77,000 Opioid Settlement Fund and $76,000 federal funds) in 2025-26 and 2026-27 to support technical assistance and outreach to tribal governments regarding the availability of naloxone through the Naloxone Distribution Project, pursuant to the requirements of AB 1233 (Waldron), Chapter 570, Statutes of 2023.. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
92	4260	DHCS	Robert F. Kennedy Farm Workers Medical Plan (AB 494)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests General Fund expenditure authority of $141,000 annually from 2026-27 through 2030-31 to support the Robert F. Kennedy Farm Workers Medical Plan, pursuant to the requirements of AB 494 (Arambula), Chapter 333, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
93	4260	DHCS	LGBT Disparities Reduction Act (AB 1163)	5/20/2024	May Revision - Chaptered Legislation: DHCS requests expenditure authority of $725,000 ($132,000 General Fund and $593,000 federal funds) in 2024-25 to support addition of intersexuality to voluntary self-identification information to be collected by state departments and entities, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023. This proposal was heard during the subcommittee's May 16th and May 20th hearings.	Approve as budgeted and adopt supplemental reporting language requiring annual reporting on implementation progress for collection of data on intersexuality.

94	4260	DHCS	Biomarker Testing (SB 496)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests annual expenditure authority of $25.2 million ($9.1 million General Fund and $16.1 million federal funds) to implement Medi-Cal coverage of biomarker testing, pursuant to the requirements of SB 496 (Limón), Chapter 401, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
95	4260	DHCS	Pharmacogenomic Testing (SB 425)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests annual expenditure authority of $18 million ($6.5 million General Fund and $11.5 million federal funds) to implement Medi-Cal coverage of pharmacogenomics testing, pursuant to the requirements of AB 425 (Alvarez), Chapter 329, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
96	4260	DHCS	Mobile Optometic Office (SB 502)	5/16/2024	May Revision - Chaptered Legislation: DHCS requests expenditure authority of $293,000 ($102,000 Vision Services Fund and $191,000 federal funds) in 2024-25 and $275,000 ($96,000 Vision Services Fund and $179,000 federal funds) annually thereafter to cover vision services provided to low-income children through a mobile optometric office, pursuant to the requirements of SB 502 (Allen), Chapter 487, Statutes of 2023. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
97	4260	DHCS	Behavioral Health Federal Funds Adjustment	5/16/2024	May Revision: DHCS requests federal fund expenditure authority of $96.7 million in 2024-25 to reflect additional mental health and substance use disorder grants awarded by the federal government in 2023-24. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
98	4260	DHCS	Behavioral Health Transformation - County Behavioral Health Depts	5/16/2024	May Revision: DHCS requests expenditure authority of $85 million ($50 million General Fund and $85 million federal funds) in 2024-25 to support counties' implementation of changes to behavioral health programs pursuant to the Behavioral Health Services Act. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
99	4260	DHCS	CYBHI Next Generation Parent Video Series BBL	5/16/2024	May Revision: DHCS requests provisional budget bill language to provide contract and regulatory exemptions for the department to develop the next generation video series and digital supports for remote mental health assessment for children and youth. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
100	4260	DHCS	Children's Health and Disability Prevention (CHDP) Transition	Not Heard	The Legislature proposes provisional budget bill language to require reporting and flexibility on the availability and expenditures of county funding for the Health Care Program for Children in Foster Care (HCPCFC) and the California Children's Services (CCS) program.	Approve legislative proposal and adopt modified placeholder provisional budget bill language, consistent with the Legislature's proposal.
101	4260	DHCS	Managed Care Organization Tax General Fund Offset BBL	5/20/2024	May Revision: DHCS requests a technical adjustment to update transfer authority related to the MCO tax. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.

102	4260	DHCS	COVID-19 Vaccine Administration TBL	Not Heard	May Revision: DHCS proposes trailer bill language to align reimbursement for administration of the COVID-19 vaccine with reimbursement for administration of other vaccines in the Medi-Cal program.	Approve and adopt placeholder trailer bill language consistent with the Administration's proposal.
4265 California Department of Public Health (CDPH)						
103	4265	CDPH	Maintenance and Operations Support for SaPHIRE System	3/14/2024	January Budget: CDPH requests General Fund expenditure authority of $26.9 million in 2024-25. If approved, these resources would support maintenance and operations for the Surveillance and Public Health Information Reporting and Exchange (SaPHIRE) system. This proposal was heard during the subcommittee's March 14th hearing.	Approve as budgeted.
104	4265	CDPH	Office of Problem Gambling Community-Based Org Grants	3/14/2024	January Budget: CDPH requests annual expenditure authority from the Gambling Addiction Program Fund of $200,000. If approved, these resources would allow CDPH's Office of Problem Gambling to provide community grants to expand prevention and treatment services to priority populations. This proposal was heard during the subcommittee's March 14th hearing.	Approve as budgeted.
105	4265	CDPH	CHCQ Centralized Application Branch Expansion	3/14/2024	January Budget: CDPH requests 11.5 positions and expenditure authority from the Licensing and Certification Fund of $1.1 million in 2024-25 and $1.6 million annually thereafter. If approved, these positions and resources would support expansion of application and fee processing activities for health facilities. CDPH also proposes trailer bill language to authorize implementation of a new fee schedule and impose deadlines and penalties for late submission of applications for licensure or licensure changes.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.
106	4265	CDPH	WIC Program Estimate	5/16/2024	May Revision: The May 2024 Women, Infants, and Children (WIC) Program Estimate includes total expenditure authority of $1.4 billion ($1.2 billion federal funds and $193.4 million WIC manufacturer rebate funds) in 2023-24 and $1.5 billion ($1.3 billion federal funds and $217.3 million WIC manufacturer rebate funds) in 2024-25. The federal fund amounts include state operations costs of $66.2 million in 2023-24 and $69.5 million in 2024-25. This program estimate was heard during the subcommittee's May 16th hearing.	Approve as budgeted.

107	4265	CDPH	WIC Modernization and TBL	3/14/2024	January Budget: CDPH requests 18 positions and federal fund expenditure authority of $3 million in 2024-25, and an additional nine positions and federal fund expenditure authority of $4.4 million annually thereafter. If approved, these positions and resources would support modernization of the WIC program services and operations including implementation of online ordering for WIC participants. CDPH also proposes trailer bill language to: 1) provide the WIC program with a regulatory exemption for establishing retail food delivery systems, vendor management, and online shopping program requirements; and 2) update WIC bulletin regulation authority. This proposal was heard during the subcommittee's March 14th hearing.	Approve as budgeted and adopt modified placeholder trailer bill language, consistent with the Administration's proposal, but with additional safeguards to ensure access to high-quality food options in underserved communities and to strengthen consumer protections.
108	4265	CDPH	ADAP Program Estimate	5/16/2024	May Revision: The May 2024 ADAP Local Assistance Estimate reflects revised 2023-24 expenditures of $374 million, an increase of $20.1 million or 5.7 percent compared to the January budget. According to CDPH, this increase is primarily due to higher medication and insurance premium expenditures than previously estimated. For 2024-25, CDPH estimates ADAP expenditures of $376.7 million, an increase of $10.7 million, or 2.9 percent compared to the January budget. According to CDPH, the continued relative increase of expenditures between 2024-25 and 2023-24, compared to the January budget, is similarly due to higher medication expenditures than previously estimated. This program estimate was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
109	4265	CDPH	ADAP Rebate Fund Loan to the GF and Program Enhancements	5/16/2024 5/20/2024	May Revision: CDPH requests a loan of $500 million from the AIDS Drug Assistance Program (ADAP) Rebate Fund to the General Fund in 2024-25 to address the General Fund shortfall. CDPH also requests provisional budget bill language governing repayment of the loan, and expenditure authority from the ADAP Rebate Fund of $23 million for various program enhancements. This proposal was heard during the subcommittee's May 16th and May 20th hearing. These adjustments were included in early action taken by the Legislature in April 2024.	Approve $500 million loan from the ADAP Rebate Fund to the General Fund, adopt modified placeholder provisional budget bill language governing repayment of the loan to better reflect legislative priorities, authorize $23 million from the ADAP Rebate Fund for various program enhancements and investments, and adopt modified placeholder trailer bill to implement the program enhancements and investments.
110	4265	CDPH	GDSP Program Estimate	5/16/2024	May Revision: The May 2024 Genetic Disease Screening Program Estimate includes expenditure authority from the Genetic Disease Testing Fund of $164.8 million ($38.7 million state operations and $126.1 million local assistance) in 2023-24, and $176.8 million ($38.8 million state operations and $138 million local assistance) in 2024-25. This program estimate was heard during the subcommittee's May 16th hearing.	Approve as budgeted.

111	4265	CDPH	CHCQ Program Estimate	5/16/2024	May Revision: The May Revision includes expenditure authority for the Center for Health Care Quality of $481.8 million ($6.3 million General Fund, $139.3 million federal funds, and $336.2 million special funds and reimbursements) in 2023-24, unchanged compared to the January budget, and $474.6 million ($1.3 million General Fund, $130.2 million federal funds, and $343.1 million special funds and reimbursements) in 2024-25, an increase of $852,000 or 0.2 percent compared to the January budget. According to CDPH, the increase in 2024-25 is attributed to an increase in expenditure authority for the Internal Departmental Quality Improvement Account. This program estimate was heard during the subcommittee's May 16th hearing	Approve as budgeted.
112	4265	CDPH	Climate and Health Surveillance Program Reversion	3/14/2024 5/16/2024	January Budget: CDPH requests reversion of General Fund expenditure authority of $3.1 million previously authorized in the 2022 Budget Act, due to expected one-time savings related to delays in implementation of information technology contracting. This proposal was heard during the subcommittee's March 14th hearing. May Revision: CDPH requests reduction of annual General Fund expenditure authority of $3.1 million to reflect a reduction in the Climate and Health Surveillance Program. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.
113	4265	CDPH	SNF Staffing Audits Fund Shift	3/14/2024 5/16/2024	January Budget: CDPH requests to shift General Fund expenditure authority of $4 million in 2024-25, previously approved in the 2023 Budget Act as an ongoing General Fund appropriation, to the Licensing and Certification Fund, to support audit activities related to the monitoring and enforcement of skilled nursing facility minimum staffing requirements. This proposal was heard during the subcommittee's March 14th hearing. May Revision: CDPH requests an ongoing shift of General Fund expenditure authority of $4 million to the Licensing and Certification Fund to support auditing and enforcement of skilled nursing facilities' minimum staffing requirements. This fund shift was proposed for 2024-25 one-time in the January budget and approved by the Legislature in its early action on the budget. This proposal was heard during the subcommittee's May 16th hearing.	Approve as budgeted.

114	4265	CDPH	Clinical Dental Rotations Fund Shift and TBL	3/14/2024	January Budget: CDPH requests to shift General Fund expenditure authority of $9.7 million to the Proposition 56 Tobacco Tax Fund's State Dental Account. These resources, originally approved in the 2022 Budget Act, support clinical dental rotations in underserved areas. CDPH also proposes trailer bill language to include program requirements originally included in budget bill language in state statute. This proposal was heard during the subcommittee's March 14th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.
115	4265	CDPH	COVID-19 Website Information Technology Reversion	3/14/2024	January Budget: CDPH requests reversion of three-year General Fund expenditure authority approved in the 2023 Budget Act of $900,000 that would have supported continuation of the COVID-19 information website. This proposal was heard by the subcommittee during its March 14th hearing.	Approve as budgeted.
116	4265	CDPH	Syndromic Surveillance TBL	3/14/2024	January Budget: CDPH proposes trailer bill language to collect syndromic surveillance data for the purposes of administering a syndromic surveillance program and system.	Adopt modified placeholder trailer bill language, consistent with the Administration's proposal, but with additional provisions strengthening privacy protections, and facilitating interoperability with local syndromic surveillance systems.
117	4265	CDPH	CYBHI Reduction - Youth Suicide Reporting/Crisis Resp. Pilot Program	5/16/2024 5/20/2024	May Revision: CDPH requests to revert General Fund expenditure authority of $13.5 million, originally approved in the 2022 and 2023 Budget Acts, and a reduction of General Fund expenditure authority of $1.5 million in 2024-25, that currently supports youth suicide reporting and crisis response pilot program. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Approve as budgeted, and reject provisional budget bill language exempting the program from the Public Contract Code.
118	4265	CDPH	CYBHI Reduction - Public Education and Change Campaign	5/16/2024 5/20/2024	May Revision: CDPH requests reversion of General Fund expenditure authority of $28.8 million in 2023-24 and reduction of General Fund expenditure authority of $40 million in 2024-25 and $5 million in 2025-26 to reflect elimination of the Children and Youth Behavioral Health Initiative Public Education and Change Campaign. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Modify: 1) Restore $34.7 million General Fund in 2024-25 and $13.7 million in 2025-26 to support existing programs.
119	4265	CDPH	Elimination of Office of Oral Health Proposition 56 Backfill	5/16/2024	May Revision: CDPH requests reduction of annual General Fund expenditure authority of $4.6 million that currently supports stable funding for the department's Office of Oral Health, in combination with resources from the Proposition 56 tobacco tax. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.

120	4265	CDPH	Eliminate Future of Public Health - CDPH and Local Health Depts.	5/16/2024 5/20/2024	May Revision: CDPH requests reduction of General Fund expenditure authority of $52.5 million in 2023-24 and $300 million annually thereafter that currently supports state and local health departments' investments in additional staff, infrastructure, prevention, infectious disease control, population, health, and emergency preparedness. This proposal was heard by the subcommittee during its May 16th and May 20th hearings.	Reject reduction and program elimination.
121	4265	CDPH	Disease Surveillance, Readiness, Resp., Recovery, Maint of IT Oper.	3/14/2024 5/16/2024	January Budget: CDPH estimates one-time General Fund savings of $1.7 million in 2024-25 due to unfilled positions for the Disease Surveillance Readiness, Response, Recovery and Maintenance of Information Technology Operations proposal, also approved in the 2023 Budget Act. This proposal was heard by the subcommittee during its March 14th hearing. May Revision: CDPH requests reduction of General Fund expenditure authority of $6.9 million annually beginning in 2025-26 to reflect a reduction in the appropriation for Disease Surveillance Readiness, Response, Recovery, and Maintenance of IT Operations approved in the 2022 Budget Act. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
122	4265	CDPH	IT, Data Science, and Informatics for 21st Century Public Health System	5/16/2024	May Revision: CDPH requests reduction of General Fund expenditure authority of $10 million annually, beginning in 2025-26, to reflect a reduction in the appropriation for the Information Technology, Data Science, and Informatics Framework proposal approved in the 2022 Budget Act. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
123	4265	CDPH	Licensing and Certification Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $70 million from the Licensing and Certification Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
124	4265	CDPH	Childhood Lead Poisoning Prevention Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $18 million from the Childhood Lead Poisoning Prevention Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
125	4265	CDPH	Infant Botulism Treatment and Prevention Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $17 million from the Infant Botulism Treatment and Prevention Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
126	4265	CDPH	Health Statistics Special Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $17 million from the Health Statistics Special Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
127	4265	CDPH	Birth Defects Monitoring Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $5 million from the Birth Defects Monitoring Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

128	4265	CDPH	Radiation Control Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $4.5 million from the Radiation Control Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
129	4265	CDPH	Occupational Lead Poisoning Prevention Account Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $3 million from the Occupational Lead Poisoning Prevention Account to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
130	4265	CDPH	Gambling Addiction Program Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $2.7 million from the Gambling Addiction Program Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
131	4265	CDPH	Domestic Violence Training and Education Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $1.6 million from the Domestic Violence Training and Education Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
132	4265	CDPH	Cannery Inspection Fund Loan to the GF	5/16/2024	May Revision: CDPH requests a loan of $1.2 million from the Cannery Inspection Fund to the General Fund. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
133	4265	CDPH	California vs. JUUL Lab Settlement and TBL	5/16/2024	May Revision: CDPH requests expenditure authority from settlement funds of $5.6 million in 2024-25, $7.8 million in 2025-26 through 2027-28, and $7.6 million in 2028-29 to help address, prevent, and reduce youth use of e-cigarettes, pursuant to a settlement agreement with JUUL Labs, Inc. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.
134	4265	CDPH	Increased Reimbursement Authority - CDC Grant/EMSA Staffing Contract	5/16/2024	May Revision: CDPH requests reimbursement authority of $181 million in 2024-25 to allow the department to expend funds associated with the extension of the federal Epidemiology and Laboratory Capacity Grant, and an agreement with EMSA to support an emergency staffing contract. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
135	4265	CDPH	Proposition 99 Expenditure Adjustments	5/16/2024	May Revision: CDPH requests the following changes to its Proposition 99 expenditures, based on updated cigarette tax revenue estimates: 1) Health Education Account (0231) – Increase $1.5 million ongoing for state operations 2) Health Education Account (0231) – Increase $500,000 ongoing for local assistance 3) Research Account (0234) – Increase $210,000 ongoing 4) Unallocated Account (0236) – Increase $16,000 ongoing This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

136	4265	CDPH	Adjustment to Reflect Available Resources in the Breast Cancer Acct	5/16/2024	May Revision: CDPH requests expenditure authority form the Breast Cancer Research Account of $33,000 to reflect updated cigarette tax revenue estimates. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
137	4265	CDPH	California Neurodegenerative Disease Registry (AB 424)	5/16/2024	May Revision - Chaptered Legislation: CDPH requests General Fund expenditure authority of $918,000 in 2024-25, and $543,000 in 2025-26 through 2027-28 to collect data to determine the incidence and prevalence of amyotrophic lateral sclerosis in the state through the Neurodegenerative Disease Registry, pursuant to the requirements of AB 424 (Bryan), Chapter 522, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
138	4265	CDPH	California Cancer Registry (SB 344)	5/16/2024	May Revision - Chaptered Legislation: CDPH requests one position and General Fund expenditure authority of $271,000 in 2024-25 and $91,000 in 2025-26 and 2026-27 for the department to develop and monitor new compliance requirements for pathologists reporting to the California Cancer Registry, pursuant to the requirements of SB 344 (Rubio), Chapter 867, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
139	4265	CDPH	LGBT Disparities Reduction Act (AB 1163)	5/20/2024	May Revision - Chaptered Legislation: CDPH requests General Fund expenditure authority of $430,000 in 2024-25 and $280,000 in 2025-26 to implement system changes to collect voluntary self-identification information pertaining to intersexuality in the course of collecting demographic data, pursuant to the requirements of AB 1163 (Luz Rivas), Chapter 832, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted and adopt supplemental reporting language requiring annual reporting on implementation progress for collection of data on intersexuality.
140	4265	CDPH	Reporting of Animal Testing Methods (AB 357)	5/16/2024	May Revision - Chaptered Legislation: CDPH requests one position and General Fund expenditure authority of $688,000 in 2024-25, $569,000 in 2025-26, and $257,000 annually thereafter to receive reports from manufacturers on animal testing methods, pursuant to the requirements of AB 357 (Maienschein), Chapter 430, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
141	4265	CDPH	Tobacco Sales - Flavored Tobacco Ban (AB 935)	5/16/2024	May Revision - Chaptered Legislation: CDPH requests General Fund expenditure authority of $2.2 million in 2024-25 and $1.9 million annually thereafter to enforce the ban on flavored tobacco products by conducting investigations of licensed tobacco retailers, pursuant to the requirements of AB 935 (Connolly), Chapter 351, Statutes of 2023. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

142	4265	CDPH	CHCQ - Quality Improvement Projects	Not Heard	May Revision: CDPH requests two positions and expenditure authority from the Internal Departmental Quality Improvement Account to expand Provider Technical Assistance to assist health care facilities in complying with state and federal requirements and support planning costs for the Centralized Application Branch Online Licensing Application Project.	Approve as budgeted.
143	4265	CDPH	COVID-19 Response Funds Reversion	Not Heard	May Revision: CDPH requests reversion of General Fund expenditure authority of $15 million in 2023-24 that was allocated to support the COVID-19 response.	Approve as budgeted.
144	4265	CDPH	Mpox Resources Reversion	Not Heard	May Revision: CDPH requests reversion of General Fund expenditure authority of $1.7 million, originally approved in the 2022 Budget Act, that was allocated to support the Mpox state of emergency.	Approve as budgeted.
145	4265	CDPH	Sickle Cell Centers for Excellence Funding	Not Heard	AB 74 (Committee on Budget) Chapter 23, Statutes of 2019 included one-time $15 million General Fund allocation to establish five new Sickle Cell Center of Excellence to provide care to adults with Sickle Cell Disease. According to the Department of Public Health, the anticipated five centers have been established, and they operate as a network. The 2019 funding has come to an end, and no new funding source has been established. The investment the State of California made in 2019 in established network of clinics for patients with SCD has improved outcomes for the highly vulnerable population it has been serving and achieved cost savings to the State. Without additional funding, it is unclear how, as a state, we will ensure continuity of care for patients with this disease, which disproportionately impacts Black Californians.	Approve Legislative proposal to increase General Fund expenditure authority of $5 million in 2024-25 for Sickle Cell Centers for Excellence
146	4265	CDPH	California Cancer Registry - Ongoing Funding	3/14/2024	The American Cancer Society Cancer Action Network, the City of Hope, the Public Health Institute, and the University of Southern California request General Fund expenditure authority of $7 million annually to protect and restore funding for the California Cancer Registry (CCR), which is suffering from a funding shortfall due to reductions in Proposition 99 tobacco tax revenues. The CCR is the largest population-based state cancer registry in North America (including Canada and Mexico) and plays a critical role in analyzing geographic, racial, ethnic, and socioeconomic differences in cancer incidence, mortality, and survival. CCR is a population-based cancer registry that has been described as “the eyes with which we see the cancer problem” – without it, we would be blind to how a major cause of illness and death impacts the people of California. This proposal was heard by the subcommittee during its March 14th hearing.	Approve Legislative proposal to increase General Fund expenditure authority of $800,000 in 2024-25 and $2 million annually thereafter to support the California Cancer Registry.
4440 Department of State Hospitals (DSH)						

147	4440	DSH	Metropolitan - Central Utility Plant Replacement - BCP and Bond Shift	5/16/2024	May Revision: DSH requests to replace existing General Fund expenditure authority of $1.9 million for the working drawings phase of the Central Utility Plant Replacement project at DSH-Metropolitan with $1.9 million of expenditure authority from the Public Buildings Construction Fund. DSH also proposes provisional budget bill language to authorize the State Public Works Board to issue bonds to finance the cost of the design and construction of this project. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted and adopt placeholder provisional budget bill language, consistent with the Administration's proposal.
148	4440	DSH	Infectious Disease Prevention	5/2/2024	January Budget: DSH requests General Fund expenditure authority of $25.9 million in 2024-25 and $7.7 million annually thereafter to support infection control measures to protect the health and safety of employees and patients in compliance with state and federal infectious disease prevention guidance. This proposal was heard by the subcommittee during its May 2nd hearing.	Approve as budgeted.
149	4440	DSH	Program Update - DSH Metropolitan Increased Secure Bed Capacity	5/16/2024	May Revision: DSH estimates General Fund savings of $3.9 million in 2023-24 to reflect delays in completing the skilled nursing facility roof to facilitate the activation of secure bed capacity at DSH-Metropolitan. The remaining two units, originally scheduled for activation in May 2024, are now scheduled for October 2024. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
150	4440	DSH	Program Update - CONREP Non-SVP	5/16/2024	May Revision: DSH estimates CONREP-Non-SVP caseload of 960 in 2023-24 and 938 in 2024-25. DSH estimates General Fund savings of $2.6 million in 2023-24 due to challenges hiring clinical staff for CONREP-Non-SVP programs. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
151	4440	DSH	Program Update - Patient Driven Operating Funding	5/16/2024	May Revision: DSH estimates General Fund savings of $1.6 million in 2023-24 and requests a reduction of General Fund expenditure authority of $632,000 in 2024-25 to reflect a reduction in the amount of operating expenses and equipment needs. According to DSH, this reduction is due to updated patient census data. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

152	4440	DSH	Program Update - Incompetent to Stand Trial (IST) Solutions	5/16/2024	May Revision: DSH estimates General Fund savings of $118.3 million in 2023-24 (including $45 million reappropriated from the 2022 Budget Act). DSH also requests reduction of General Fund expenditure authority of $49.9 million in 2024-25 due to activation delays in Jail-Based Competency Treatment Programs and Community-Based Restoration/Diversion Programs, and for county stakeholder workgroup grant contracts not yet executed. DSH also proposes to shift General Fund expenditure authority of $129.5 million from 2025-26 to 2026-27 to better align with program implementation timelines. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
153	4440	DSH	Program Update - Mission Based Review - Direct Care Nursing	5/16/2024	May Revision: DSH estimates General Fund savings of $3.6 million in 2023-24 due to delays in hiring for direct care nursing staff. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
154	4440	DSH	Program Update - Mission Based Review - Treatment Team	5/16/2024	May Revision: DSH estimates General Fund savings of $3.1 million in 2023-24 due to delays in hiring phased-in treatment team and primary care positions. In addition, DSH requests to delay 31.4 positions scheduled to phase in during 2024-25 until July 1, 2027, resulting in an additional General Fund savings of $8.2 million annually. According to DSH, this shift in the phase-in schedule more closely aligns with when the resources will likely be utilized. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
155	4440	DSH	Incompetent to Stand Trial (IST) Solutions TBL	5/2/2024	January Budget: DSH proposes trailer bill language to clarify the statutory authority provided to implement various Incompetent to Stand Trial (IST) solutions authorized by the 2022 Budget Act. This proposal was heard by the subcommittee during its May 2nd hearing.	Approve and adopt modified placeholder trailer bill language consistent with the Administration's proposal, but with additional language to reflect legislative priorities.
156	4440	DSH	Allocation for Employee Compensation	5/16/2024	May Revision: DSH requests General Fund expenditure authority of $108,000 in 2023-24 and $145,000 annually thereafter to reflect revised employee compensation costs. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
157	4440	DSH	Allocation for Staff Benefits	5/16/2024	May Revision: DSH requests General Fund expenditure authority of $9,000 in 2023-24 and $11,000 annually thereafter to reflect revised employee benefit costs. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
158	4440	DSH	Program Update - Enhanced Treatment Program Staffing	5/16/2024	May Revision: DSH estimates General Fund savings of $281,000 in 2023-24 due to a four-month delay in activation of Unit 06 of the Enhanced Treatment Program at DSH-Patton. The unit, previously expected to activate December 2023, is now scheduled for September 2024. This program update was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.

159	4440	DSH	Electronic Health Record Reversion	5/16/2024	May Revision: DSH requests reversion of General Fund expenditure authority of $7.2 million, originally approved in the 2023 Budget Act, due to updated project timelines for the Electronic Health Records project. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
160	4440	DSH	Mission Based Review - Treatment Team - Reversion	5/16/2024	May Revision: DSH requests reversion of General Fund expenditure authority of $6.6 million, originally approved in the 2021 Budget Act, for hiring of treatment team and primary care staff, due to an updated implementation timeline. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
161	4440	DSH	Health Care Provider Network Reversion	5/16/2024	May Revision: DSH requests reversion of General Fund expenditure authority of $2.2 million, originally approved in the 2023 Budget Act, for the Health Care Provider Network. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
162	4440	DSH	Data Compliance	5/16/2024	May Revision: DSH requests eight positions, supported with existing expenditure authority, including conversion of six positions from limited-term to permanent, to make the department's data leadership structure permanent, and support data compliance across multiple directives. This proposal was heard by the subcommitee during its May 16th hearing.	Approve as budgeted.
163	4440	DSH	Workers' Compensation Adjustment	5/16/2024	May Revision: DSH requests conversion of seven limited-term positions to permanent, supported with existing expenditure authority, to address an increase in workers' compensation workload. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
164	4440	DSH	SB 1034 Workload	5/16/2024	May Revision: DSH requests ten positions, supported with existing expenditure authority, to support increased workload related to convening various stakeholders to facilitate community placement of a sexually violent predator (SVP), pursuant to the requirements of SB 1034 (Atkins), Chapter 880, Statutes of 2022. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
165	4440	DSH	Coalinga - New Activity Courtyard	5/16/2024	May Revision: DSH requests a supplemental appropriation of General Fund expenditure authority of $1.1 million in 2024-25 to complete the construction phase of the Coalinga New Activity Courtyard project, due to procuring a new general contractor and associated construction delays. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
4560 Mental Health Services Oversight and Accountability Commission (MHSOAC)						
166	4560	MHSOAC	Mental Health Wellness Program Reappropriation	5/2/2024	January Budget: MHSOAC requests reappropriation of up to $1 million of expenditure authority from the Mental Health Services Fund, previously authorized in the 2021 Budget Act, until June 30, 2026, to support the Mental Health Wellness Program. This proposal was heard by the subcommittee during its May 2nd hearing.	Approve as budgeted.

167	4560	MHSOAC	Behavioral Health Transformation	5/16/2024	May Revision: MHSOAC requests three positions and expenditure authority from the Mental Health Services Fund of $494,000 annually between 2024-25 and 2026-27, and $394,000 annually thereafter, to support workload related to the implementation of behavioral health transformation efforts and other changes pursuant to the Behavioral Health Services Act. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
4800 California Health Benefit Exchange (Covered CA)						
168	4800	CovCA	Health Care Affordability Reserve Loan - Additional $62m in 24-25	5/16/2024	May Revision: The Administration requests an additional loan from the Health Care Affordability Reserve Fund to the General Fund of $62 million in 2024-25, in addition to the $600 million loan to the General Fund authorized in the 2023 Budget Act and proposed for repayment delay in the May Revision. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted.
169	4800	CovCA	Health Care Affordability Reserve Loan - Delayed Repayment	5/16/2024	May Revision: The Administration proposes trailer bill language to delay the repayment of the $600 million loan from the Health Care Affordability Reserve Fund to the General Fund, authorized in the 2023 Budget Act. The loan, originally scheduled to be repaid in 2025-26, would instead be paid back in increments of $200 million in 2026-27, 2027-28, and 2028-29. This proposal was heard by the subcommittee during its May 16th hearing.	Approve as budgeted and adopt placeholder trailer bill language, consistent with the Administration's proposal.
170	4800	CovCA	Partial Individual Mandate Penalty Transfer	5/16/2024	May Revision: The Administration requests annual transfer of $109 million of expenditure authority from the Health Care Affordability Reserve Fund to the General Fund, beginning in 2025-26. These resources are derived from individual mandate penalty payments made by Californians unable to obtain health care coverage. This proposal was heard by the subcommittee during its May 16th hearing.	Modify: 1) Authorize a one-time loan of $109 million of expenditure authority from the Health Care Affordability Reserve Fund to the General Fund in 2025-26. 2) Reject all transfers from the fund to the General Fund ongoing.
171	4800	CovCA	2025 Program Design Implementation BBL	5/16/2024	May Revision: The Administration proposes provisional budget bill language to specify that the 2025 Program Design will provide cost-sharing reductions to individuals at or above 100 percent of the federal poverty level. This proposal was heard by the subcommittee during its May 16th hearing.	Reject proposed language.
172	4800	CovCA	Health Care for Striking Workers and One Dollar Premium Subsidy	2/29/2024	Legislative Oversight: AB 2530 (Wood), Chapter 695, Statutes of 2022, requires Covered California to administer a program of financial assistance to help Californians obtain and maintain health benefits through the exchange if they lose employer-provided health care coverage as a result of a labor dispute. Eligible individuals would receive the same premium assistance and cost-sharing reductions as an individual with a household income of 138.1 percent of the federal poverty level. The financial assistance provided under AB 2530 is subject to an appropriation by the Legislature.	Approve modified provisional budget bill language to require augmentation of the appropriation from the Health Care Affordability Reserve Fund for the health care for striking workers program and the one-dollar premium subsidy program if costs for these manadatory programs exceed the appropriation provided in the Budget Act.
Human Services Items						

4100 - State Council on Developmental Disabilities (SCDD)						
173	4100	SCDD	Various federal fund and reimbursement authority adjustments (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes various budget adjustments for SCDD including increasing reimbursement authority for support services assistant, increasing reimbursements for Statewide Self-Determination Advisory Committee, Self Determination Program Orientations, and Go-Kits reimbursement authority. These adjustments have no General Fund impact.	Approve as Budgeted.
4170 - California Department of Aging (CDA)						
174	4170	CDA	Healthier at Homes Pilot Program Reduction (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	Reduce remaining one-time funding for the Healthier at Homes Pilot Program. This generates $11.9 million in savings in 2023-24.	AAB (Approved in Early Action).
175	4170	CDA	CalFresh Healthy Living Program (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	CDA proposes an increase of $2 million in reimbursement authority to support one position and increased local assistance funding in 2024-25 and ongoing to provide increased monitoring services, program site capacity, increased client counts, and enhanced curricula for the CalFresh Healthy Living (CFHL) activities. This reimbursement authority increase is supported by federal funds and has no General Fund impact.	Approve as Budgeted.
176	4170	CDA	Health Insurance Counseling and Advocacy Program (HICAP) Administration Funding (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	CDA requests a one-time authority increase of $2 million from the Health Insurance Counseling and Advocacy Program (HICAP) Special Fund to continue to support increased state and local administration efforts initiated in 2021 to serve more Medicare beneficiaries and improve service quality and access.	Approve as Budgeted. Additionally, adopt Budget Bill Language to loan $10 million from the HICAP Special Fund to the General Fund. Additionally, adopt Budget Bill Language regarding reporting to the Legislature on HICAP Modernization activities and metrics.
177	4170	CDA	Office of the Long-Term Care Patient Representative Technical Adjustment (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	CDA requests a net-zero General Fund shift from Local Assistance to State Operations and authority for eight positions in the Office of the Long-Term Care Patient Representative.	Approve as Budgeted.
178	4170	CDA	Older Californians Act Senior Nutrition Cut (MR)	This proposal was heard at the Subcommittee's May 16, 2024 and May 20, 2024 hearings.	Eliminates Older Californians Act Modernization funding for senior nutrition by $37.2 million in 2024-25, 2025-26, and 2026-27.	Reject.
179	4170	CDA	Older Adult Behavioral Health Cut (MR)	This proposal was heard at the Subcommittee's May 16, 2024 and May 20, 2024 hearings.	Eliminates one-time funding for capacity building grants to address older adult behavioral health.	Modify. Accept Governor's proposal. Additionally, reduce funding for media campaign component which generates $8 million in additional General Fund savings in 2023-24.
180	4170	CDA	CDA May Revision Reimbursement Adjustments (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes reimbursement increases for Multipurpose Senior Services Program, CalFresh Healthy Living Program, and federal grant awards. These adjustments have no General Fund impact.	Approve as Budgeted.

181	4170	CDA	CDA May Revision Chaptered Legislation (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes funding to implement recently chaptered legislation.	Approve as Budgeted.
182	4170	CDA	Long-term Care Ombudsperson Funding	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	Legislative proposal to use $9.25 million in special funds ($5 million 0942 State Health Facilities Citation Penalty Account and $4.25 million 3098 Licensing and Certification Program Fund) in 2024-25, 2025-26, and 2026-27 to support the long-term care ombudsman program.	Adopt legislative proposal.
4300 - Department of Developmental Services (DDS)						
183	4300	DDS	Delay Preeschool Inclusion Grants (GB)	This proposal was heard at the Subcommitee's March 21, 2024 hearing.	Two-year delay of new grants for preschool programs to better support children with disabilities. Funding would return in 2026-27.	AAB (Approved in Early Action).
184	4300	DDS	Delay Developmental Services Rate Reform (GB)	This proposal was heard at the Subcommittee's March 21, 2024 hearing.	One-year delay of the final phase of developmental services rate reform, set to take effect July 1, 2024. This solution includes corresponding trailer bill language.	Reject.
185	4300	DDS	Phase out Direct Support Professional Internship Program (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduction of $20 million General Fund one-time to phase out the Direct Service Professional Internship program. The 2022 Budget Act included $22.5 million for this program. Current and pending participants would continue in the program. This solution includes corresponding trailer bill language.	Approve as Budgeted. Adopt placeholder trailer bill language consistent with the Administration's proposal.
186	4300	DDS	Tribal Engagement and Outreach for Early Start Services Expansion (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduction of $750,000 increase to tribal engagement and outreach for early start services included in Governor's budget and reduced in Governor's May Revision. This holds current funding for this program at $500,000, consistent with the 2023 Budget Act appropriation.	Approve as Budgeted.
187	4300	DDS	Health and Safety Waiver Application Assistance (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduction of $4.4 million ($3 million General Fund) ongoing for resources to assist individuals and families in applying for health and safety waivers. This solution includes corresponding trailer bill language.	Reject.
188	4300	DDS	Emergency Preparedness Resources (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduction of $1.1 million ongoing for procuring emergency preparedness supplies and informational materials. This does not impact funding for emergency coordinators at regional centers.	Approve as Budgeted.
189	4300	DDS	May Revision Caseload and Baseline Budget Adjustments (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes various budget adjustments for DDS at May Revision including regional center caseload and utilization adjustments, allocation for employee benefits and compensation, state operated facilities population and staffing adjustments, and General Fund loan authority adjustment.	Approve as Budgeted.
190	4300	DDS	Reimbursement System Project Maintenance and Operation Costs (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes reappropriation of $5 million from the Budget Act of 2021 and $3.3 million General Fund in 2024-25, $2.44 million in 2025-26, and $1.8 million ongoing beginning in 2026-27 to support maintenance and operations costs for the Reimbursement System Project, contingent on approval of the pending Department of Technology project report.	Approve as Budgeted.

191	4300	DDS	Uniform Fiscal System Modernization and the Consumer Electronic Records Management System Project Planning (MR)	This proposal was heard at the Subcommittee's May 16, 2024 and May 20, 2024 hearing.	DDS requests $6.4 million ($6 million General Fund) including one-year limited term resources equivalent to nine positions for continued project planning efforts supporting the combined Uniform Fiscal System Modernization (UFSM) and Consumer Electronic Records Management System (CERMS) project. The requested resources will enable DDS to complete the state's required California Department of Technology (CDT) Project Approval Lifecycle (PAL) planning process.	Modify. Approve $1 million General Fund and additionally authorize up to $5 million in provisional authority if federal funding for this project does not become available in 2024-25. This generates $5 million in General Fund savings.
192	4300	DDS	Trailer Bill: Individual Program Plan Meetings (GB)	This proposal was heard at the Subcommitee's March 21, 2024 hearing.	Trailer bill ends the option for an Individual Program Plan (IPP) meeting to be held remotely and recasts legislative intent to (1) express the value of developing a collaborative relationship between individuals with IDD and their families and their service coordinators; (2) emphasize the benefit of face-to-face contact, and (3) prioritize IPP meetings that are held at locations and times that are convenient for the individual and family served.	Modify. Adopt placeholder trailer bill language to permanently extend the option for an IPP meeting to be held remotely subject to additional meeting parameters.
193	4300	DDS	Trailer Bill: Family Cost Participation Program and Annual Family Program Fee (GB)	This proposal was heard at the Subcommitee's March 21, 2024 hearing.	Repeals the Family Cost Participation Program and Annual Family Program Fee, effective July 1, 2024.	Adopt placeholder trailer bill consistent with the Administration's proposal.
194	4300	DDS	Trailer Bill: Probability Sampling and Statistical Extrapolation (GB)	This proposal was heard at the Subcommitee's March 21, 2024 hearing.	Allows DDS and regional centers to use probability sampling and statistical extrapolation when conducting fiscal audits of service providers.	Adopt placeholder trailer bill consistent with the Administration's proposal.
195	4300	DDS	Trailer Bill: Provisional Eligibility Assessment Requirements (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Streamlines the number of assessments required for children referred for early intervention services who may be provisionally eligible for regional center services.	Adopt placeholder trailer bill consistent with the Administration's proposal.
196	4300	DDS	Social Recreation and other restored services (GB)	This proposal was heard at the Subcommittee's March 21, 2024 hearing.	Reduces federal Home and Community-Based Services Spending Plan funding on social recreation and camping to $14.7 million.	Approve as Budgeted. Adopt placeholder legislative trailer bill to prohibit regional centers from enacting overly restrictive social recreation purchase of services policies and require DDS to report to the Legislature on complaints and trends relating to social recreation.
197	4300	DDS	Complex Needs Residential Program (MR)	This proposal was heard at the Subcommitee's May 16, 2024 and May 20, 2024 hearings.	MR reduces 2024-25 estimate for the new state-operated Complex Needs Residential Program by $7 million in 2024-25 to account for delayed development.	Adopt legislative solution to delay construction of Complex Needs Residential Program homes by three years. This generates $10.5 million savings in 2023-24, $5 million in 2024-25, and $11.2 million in 2025-26.

198	4300	DDS	Porterville Developmental Center (GB)	This proposal was heard at the Subcommitee's May 16, 2024 and May 20, 2024 hearings.	GB temporarily reduces Porterville Developmental Center by $20 million in 2023-24 compared to enacted 2023 budget. GB adds back $20 million in 2024-25.	Adopt legislative proposal to hold Porterville Developmental Center budget to revised 2023-24 level in 2024-25. This generates savings of $20 million in 2024-25 and $10 million in 2025-26.
199	4300	DDS	Direct Support Professional (DSP) Stipend Program and Regional Center Tuition Reimbursement Program	This proposal was heard at the Subcommitee's May 16, 2024 and May 20, 2024 hearings.	Legislative solution to early revert $10 million in anticipated savings upon expiration of the DSP stipend program in 2023-24 and reduce Regional Center Tuition Reimbursement Program by $18.6 million in 2024-25. This would allow for current and pending participants to remain in the program and receive tuition reimbursement but close the program to new applicants.	Adopt legislative proposal to account for savings of $10 million in 2023-24 and $18.6 million in 2024-25.
4700 - Department of Community Services and Development (CSD)						
200	4700	CSD	Federal Trust Fund Authority Augmentation (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	Increases the department's Federal Trust Fund base authority for local assistance programs ($52 million for energy programs and $3 million for community services) to align the next three fiscal years with current funding levels of core federal grant programs, with no General Fund impact.	Approve as Budgeted.
201	4700	CSD	Chaptered Legislation (MR)	This proposal was heard at the Subcommittee's March 16, 2024 hearing.	Increase of $943,000 to implement recently chaptered legislation.	Approve as Budgeted.
5160 - Department of Rehabilitation (DOR)						
202	5160	DOR	Delay Developmental Services Rate Reform (GB)	This proposal was heard at the Subcommittee's March 21, 2024 hearing.	Application to DOR employment coaching of the one-year delay of the final phase of developmental services rate reform, set to take effect July 1, 2024.	Reject.
203	5160	DOR	Voice Options Program (GB)	This proposal was heard at the Subcommittee's March 21, 2024 hearing.	$3.6 million ongoing in Deaf and Disabled Telecommunications Program (DDTP) Administrative Committee Fund and 3.75 positions for DOR to administer the Voice Options program, a statewide Supplemental Telecommunications Equipment (STE) program and 0.25 positions to oversee the federal Assistive Technology Program with existing resources. This proposal has no impact on the General Fund.	Approve as Budgeted.
204	5160	DOR	Office of Employment First and DOR Name Change (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Fund shift to transfer the Office of Employment First from the California Health and Human Services Agency to DOR. Includes trailer bill to rename DOR to the California Department of Disability Works.	Reject.
5175 - Department of Child Support Services (DCSS)						
205	5175	DCSS	May Revision Local Assistance Expenditures Adjustment (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Includes various adjustments to update federal fund local assistance expenditures based on additional child support collections data becoming available.	Approve as Budgeted.

206	5175	DCSS	Trailer Bill: Child Support Trust Fund Overpayment (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	DCSS requests statutory authority to implement overpayment recovery procedures that would allow the department to offset overpayments with future collections and offset unrecoverable overpayments.	Reject.
207	5175	DCSS	Budget Bill language: Child Support Trust Fund transfer (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	DCSS requests budget bill language to authorize a transfer of up to $500,000 in available unspent funds to the Child Support Payment Trust Fund to offset unrecoverable overpayments.	Approve as Budgeted.
208	5175	DCSS	Trailer Bill: California Child Support Automation System Annual Reporting Requirements Repeal (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Repeals reporting requirements related to the California Child Support Automation System (CCSAS).	Adopt placeholder trailer bill consistent with the Administration's proposal.
209	5175	DCSS	Trailer Bill: Improved Performance Incentives Repeal (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Repeals suspended code section which requires implementation of an improved performance incentives program for local child support agencies.	Adopt placeholder trailer bill consistent with the Administration's proposal.
210	5175	DCSS	Local Child Support Agency funding	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Legislative budget solution to reduce $10 million in 2024-25 and ongoing from local child support agency funding that has historically been unspent.	Adopt legislative proposal.
211	5175	DCSS	Child Support Full Pass-through	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Legislative proposal to adopt Supplemental Report Language regarding infrastructure and other implementation components necessary to effectuate the full pass-through of child support to families currently receiving CalWORKs.	Adopt legislative Supplemental Report Language.
5180 Department of Social Services (CDSS)						

212	5180	CDSS	Indefinite Pause of the Child Care Slot Expansion (MR)	This proposal was heard at the Subcommittee's May 16, 2024 and May 20, 2024 hearing.	Ends the expansion of over 200,000 new subsidized child care slots agreed to under the 2021 Budget Act. This would limit the total slot expansion to approximately 119,000 total awarded slots. This proposal would involve rescinding award letters recently issued for 11,038 General Child Care (CCTR) slots budgeted for 2024-25. This generates savings of $489 million in 2024-25, $951 million in 2025-26, and $1.5 billion in 2026-27 and 2027-28.	Modify. Reject indefinite pause and instead enact a two-year pause, with trailer bill specifying the plan to reach over 200,000 new subsidized slots by 2028, and continue to fund 11,038 CCTR slots for which award letters were issued in Spring 2024. Additionally, adopt placeholder budget bill language to account for $60 million in anticipated federal Child Care and Development Funds (CCDF) for slot expansion in 2024-25 and ongoing. Account for $71.62 million one-time in unspent CCDF funds in 2024-25. In total, the combination of (1) honoring the spring 2024 award letters for 11,038 CCTR slots, (2) pausing the remainder of new slots for two years, and (3) accounting for additional one-time and ongoing CCDF funds, generates alternative savings of $380 million in 2024-25 and $694 million in 2025-26.
213	5180	CDSS	Reduce Child Care Slot funding to Only Reflect Awarded slots (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Reduces the General Child Care (CCTR) budget to only estimated number of awarded slots, generating $662 million savings in 2023-24 and $385 million in 2024-25.	Approve as Budgeted. Additionally, adopt placeholder trailer bill to create a reversion account for unencumbered or unspent child care funds. This also applies to non-local education agency (LEA) preschool programs.
214	5180	CDSS	Revised Timeline to Implement Child Care Slots (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Assumes later implementation date for new CCTR slots (from April 1 to July 1) and earlier implementation date for new Alternative Payment Program (voucher) slots (from October 1 to July 1). This generates savings on the CCTR side of $22 million and incurs costs on the voucher side of $46 million on the voucher side.	Reject. Assume October 1, 2024 award date for 11,038 CCTR slots to implement in 2024-25 given delays related to the MR proposal. For future slots beginning with the resumption of the slot expansion in 2026, assume existing implementation date of April 1, 2026 for CCTR and October 1, 2026 for CAPP slots. Additionally, adopt placeholder legislative trailer bill to stramline the slot expansion application proess for CCTR providers.
215	5180	CDSS	Child Care General Fund Offset - Federal Funds and Prop 64 (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Offsets General Fund for child care with federal funds and Prop 64 funds. This offsets $596.8 million General Fund in 2023-24 and $375.5 million in 2024-25.	Approve as Budgeted.

216	5180	CDSS	Child Care Emergency Bridge Program (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduces funding for the Emergency Child Care Bridge program by $34.8 million General Fund in 2024-25 and ongoing.	Reject. Instead, adopt budget bill language to early revert $34.8 million in unspent 2022-23 Emergency Child Care Bridge funds and reappropriate into 2023-24. Adopt Budget Bill language to reappropriate $30 million in unspent 2023-24 Emergency Child Care Bridge funds into 2024-25 to offset General Fund costs on a one-time basis. This generates alternative savings of $34.8 million one-time in 2023-24 and $30 million one-time in 2024-25. Total General Fund levels for Emergency Child Care Bridge remain at $83.4 million ongoing.
217	5180	CDSS	Child and Adult Care Food Program Staffing (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Permanent position authority for 26 positions to support the Child and Adult Care Food Program (CACFP). This proposal has no impact on the General Fund.	Approve as Budgeted.
218	5180	CDSS	Child Care Program Staffing (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	CDSS requests $7.9 million in federal funding authority and permanent position authority for 41 positions and one limited-term position to provide policy, program, and administrative support to child care and development programs. This proposal is funded with federal funds and has no impact on the General Fund.	Approve as Budgeted.
219	5180	CDSS	Child Care Rate Reform	This proposal was heard at the Subcommittee's March 7, 2024 and April 25, 2024 hearing.	Legislative proposal to provide greater accountability within the Administration's plan to transition to an alternative methodology for setting child care reimbursement rates.	Adopt placeholder legislative trailer bill on alternative methodology bridge policy and expanded reporting.
220	5180	CDSS	Trailer Bill: Information Sharing for Small Family Child Care Homes (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Brings CDSS into compliance with federal funding requirements for consumer and provider education by making specified information for licensed small family daycare homes publicly available.	Adopt placeholder trailer bill consistent with the Administration's proposal.
221	5180	CDSS	CalWORKs 2022-23 Single Allocation Reversion (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Reversion of $336.6 million from the 2022-23 CalWORKs Single Allocation projected to be unspent.	AAB (Approved in Early Action).
222	5180	CDSS	CalWORKs Single Allocation Eligibility Administration (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Reduces Single Allocation Eligibility Administration augmentation by $40.8 million in 2023-24 and ongoing.	Reject.
223	5180	CDSS	CalWORKs Family Stabilization Elimination (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Eliminates all funding for the CalWORKs Family Stabilization program by $55 million in 2023-24 and $71 million ongoing.	Reject.

224	5180	CDSS	CalWORKs Subsidized Employment Elimination (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Eliminates all funding for the CalWORKs Expanded Subsidized Employment program by $134.1 million in 2023-24 and ongoing.	Reject. Modify to reduce funding for CalWORKs Expanded Subsidized Employment funding by $30 million in 2023-24 and $37 million in 2024-25 to hold funding to approximate 2022-23 spending level. Additionally, adopt placeholder trailer bill to require reporting on subsidized employers and employment outcomes in participating counties.
225	5180	CDSS	CalWORKs Employment Services Intensive Case Management Freeze (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Reduces a planned increase of budgeted hours for employment services intensive case management for $47 million ongoing. This solution includes corresponding trailer bill language.	Approve as Budgeted. Adopt placeholder trailer bill to effectuate this reduction, but without statutory changes that will remove the requirement for counties to fund what is currently being implemented for CalWORKs case management, 8.75 hours.
226	5180	CDSS	CalWORKs Home Visiting Program (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Reduces funding for CalWORKs Home Visiting Program by $47 million ongoing.	Reject. Modify to reduce funding for CalWORKs Home Visiting by $30 million in 2023-24, and temporarily reduce by $25 million in 2024-24 and 2025-26.
227	5180	CDSS	CalWORKs Mental Health and Substance Use Disorder Services (MR)	This proposal was heard at the Subcommittee's May 16, 2024 and May 20, 2024 hearing.	Eliminates all funding for CalWORKs Mental Health and Substance Use Disorder services by $126 million in 2024-25 and ongoing.	Reject. Modify to reduce funding by $30 million in 2023-24, $37 million in 2024-25, and $26 million in 2025-26.
228	5180	CDSS	CalWORKs Grant Increase (MR)	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	Increases CalWORKs Maximum Aid Payment by 0.3 percent, funded by local realignment funds in the Child Poverty and Family Supplemental Support Account. This is in place of the 0.8 percent grant increase originally projected in GB. Includes corresponding trailer bill.	Approve as Budgeted. Additionally, adopt trailer bill to make technical adjustments to ensure proper display of CalWORKS grants compared to the federal poverty level.
229	5180	CDSS	CalWORKs $272 million Reduction to the 2024-25 Single Allocation	This proposal was heard at the Subcommittee's May 16, 2024 hearing.	One-time reduction of $272 million to the Employment Services Component of the CalWORKs Single Allocation for 2024-25.	Reject.
230	5180	CDSS	Trailer Bill: Family Reunification Delay Implementation (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Extends the implementation date of family reunification provisions of AB 135 (Committee on Budget), Chapter 85, Statutes of 2021, from July 1, 2022 to July 1, 2024.	Reject.
231	5180	CDSS	Eliminate the Work Incentive Nutrition Supplement (WINS) Program	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates the WINS program, which provides supplemental $10 monthly benefit to appoximately 124,000 CalFresh households, generating $25 million in savings in 2025-26 and ongoing. This solution includes corresponding trailer bill.	Reject.

232	5180	CDSS	Delay California Food Assistance Program Expansion (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Delays implementation of the expansion of the California Food Assistance Program expansion to adults 55 and over regardless of immigration status from October 1, 2025 to October 1, 2027.	Approve as Budgeted. Additionally, reappropriate any unspent funds associated with the planning, automation, and outreach activities from 2023-24 to the 2024-25 fiscal year to allow for continued work toward the new, delayed implementation date. Additionally, adopt Budget Bill Language requesting reporting on the use of funds by January 1, 2025.
233	5180	CDSS	Eliminate the CalFresh Minimum Nutrition Benefit Pilot Program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates $15 million in 2024-25 for a pilot program to supplement certain households' CalFresh benefits from $23 per month to $50 per month.	Reject.
234	5180	CDSS	CalFresh Employment and Training - CalFresh Confirm (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $200,000 in 2024-25 and $196,000 ongoing for one position in the CalFresh & Nutrition Branch to effectively manage current workload and increasing responsibilities, support federal compliance, and maintain implementation of the CalFresh Confirm tool. This position would be funded by federal funds and reimbursements and has no impact on the General Fund.	Approve as Budgeted.
235	5180	CDSS	CalFresh Healthy Living Program Alignment (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $562,000 in 2024-25 and $546,000 ongoing federal funds for three positions to support the CalFresh Healthy Living Program. This proposal has no impact on the General Fund.	Approve as Budgeted.
236	5180	CDSS	CalFresh Outreach Unit Expansion (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $173,000 in 2024-25 and $169,000 ongoing for one permanent position to support ongoing CalFresh outreach. This position is federally funded and has no impact on the General Fund.	Approve as Budgeted.
237	5180	CDSS	Trailer Bill: California Food Assistance Program Overpayments (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Establish state and county overissuance collection retention rates for the California Food Assistance Program (CFAP) that align with CalFresh.	Adopt placeholder trailer bill consistent with the Administration's proposal.
238	5180	CDSS	Trailer Bill: Guaranteed Income Pilot Extension (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Extends the sunset date of the Guaranteed Income Pilot Program from July 1, 2026 to January 1, 2028, to provide sufficient time for pilot programs to implement and complete the statutorily required evaluation.	Adopt placeholder trailer bill consistent with the Administration's proposal.

239	5180	CDSS	Trailer Bill: SNAP Reimbursement for stolen EBT benefits (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Codifies the policy for reimbursing electronically stolen CalFresh food benefits that was established under federal guidance, thereby overriding the former state benefit replacement policy established as a result of the Ortega court ruling and allowing for continuity of the current policy.	Modify. Adopt placeholder trailer bill language consistent with the Administration's proposal with additional changes pursuant to stakeholder feedback related to timeliness of benefit replacement and finalization of regulations. Additionally, adopt Supplemental Report Language requiring CDSS to provide updates on the schedule for EBT card replacement, how implementation is minimizing risk for consumers, and the interaction of state and federal funds.
240	5180	CDSS	Trailer Bill: California Food Assistance Program Elimination of Comparable Disqualification (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates the comparable disqualification policy for the California Food Assistance Program (CFAP) to maintain alignment with current CalFresh policy.	Adopt placeholder trailer bill consistent with the Administration's proposal. Additionally, modify for technical changes pursuant to stakeholder feedback.
241	5180	CDSS	Trailer Bill: Tribal Nutrition Assistance Program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Remove language referencing the Food Distribution Program on Indian Reservations (FDPIR) from the Tribal Nutrition Assistance Program (TNAP) authorizing statute.	Adopt placeholder trailer bill consistent with the Administration's proposal.
242	5180	CDSS	Eliminate the Family Urgent Response System (FURS) Program (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Eliminates $30 million General Fund ongoing, beginning in 2024-25, for the Family Urgent Response System (FURS) program, which provides immediate mobile response for children in foster care.	Reject.
243	5180	CDSS	Eliminate the Supervised Independent Living Program (SILP) Supplement (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Eliminates $195,000 General Fund in 2024-25 and $18.8 million General Fund in 2025-26 and ongoing to provide a housing supplement for youth in Supervised Independent Living Placements (SILPs).	Approve as Budgeted. SILP rates are addressed in the Foster Care permanent rate structure.
244	5180	CDSS	Bringing Families Home Delay to 2025-26 (GB) and $80 million cut (MR)	This proposal was heard at the Subcommittee's April 25, 2024 hearing and May 20, 2024 hearing.	GB proposal to delay $80 million in Bringing Families Home funding to 2025-26. This includes corresponding trailer bill. MR proposal to cut $80 million in Bringing Families Home funding.	Modify. Instead, delay $40 million to 2025-26 and $40 million to 2026-27. Additionally, adopt corresponding trailer bill and modify to extend local match exemption through 2027.
245	5180	CDSS	Los Angeles County Public Health Nursing Program (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Eliminates ongoing funding of $8.25 million General for Los Angeles County Public Health Nursing child welfare program.	Approve as Budgeted. Additionally, account for $7.3 million in savings in 2023-24 from this program not fully implementing.
246	5180	CDSS	Foster Care Rate Reform Automation (GB) (MR)	This proposal was heard at the Subcommittee's April 25, 2024 and May 20, 2024 hearing.	GB includes $12 million General Fund in 2024-25 for automation costs associated with the new permanent foster care rates structure. MR updates automation costs to total $14.5 million General Fund.	Approve as Budgeted.

247	5180	CDSS	Trailer Bill: Foster Care Rate Reform (GB) (MR)	This proposal was heard at the Subcommittee's April 25, 2024 and May 20, 2024 hearing.	Establishes a new permanent foster care rate structure pursuant to existing law which requires the state transition from the current interim foster care rate structure by 2025. The rate structure has three tiers to address the needs of children as identified by the Child and Adolescent Needs and Strengths (CANS) assessment, regardless of their placement setting. There are three main components of the Tiered Rate Structure: Care and Supervision Rate, Strengths Building Allocation, and Immediate Needs Allocation. The permanent rate structure would take effect July 1, 2026.	Adopt placeholder trailer bill language, with changes to add milestones toward implementation, including reporting to the legislature, and reflect stakeholder feedback.
248	5180	CDSS	Trigger Language: Foster Care Rate Reform (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Subjects the Administation's proposed permanent foster care rate structure to a "trigger" based on the availability of General Fund in spring 2026. Current law requires the state to adopt a permanent foster care rate structure by January 1, 2025. The Administration scores savings of $425 million in 2026-27 and $647 million in 2027-28 in conjunction with the proposed General Fund trigger.	Reject. This includes rejecting the General Fund trigger and the associated savings.
249	5180	CDSS	Reduce funding for LA County Child Welfare Stabilization (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Reduces funding for LA County child welfare stabilzation by $100 million. MR withdraws this solution as the funding cannot be recouped.	Approve MR proposal withdrawing the GB solution.
250	5180	CDSS	Case Review Allocation Adjustment (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Increase in reimbursement authority of $1.2 million in 2024-25 and $1.1 million in 2025-26 and ongoing for six positions to address the workload associated with federally mandated activities for the Child and Family Services Reviews. This proposal has no impact on the General Fund.	Approve as Budgeted.
251	5180	CDSS	Eliminate Funding for Foster Care Resource Family Approvals (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates $50 million in 2024-25 and ongoing for county child welfare agencies to complete caregiver approvals for foster caregivers, primarily relative caregivers.	Reject.
252	5180	CDSS	Trailer Bill: Families First Prevention Services Act (FFPSA) Extension (GB)	This proposal was heard at the Subcommittee's April 25, 2024 hearing.	Extend the sunset date, from July 1, 2025 to July 1, 2028, for the FFPSA block grant.	Adopt placeholder trailer bill consistent with the Administration's proposal.
253	5180	CDSS	Trailer Bill: Federal Reporting Requirements with National Center for Missing and Exploited Children (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Updates state law to mirror additional federal reporting and communication requirements for county child welfare agencies and probation departments when reporting missing youth to law enforcement authorities for entry into specified national databases.	Adopt placeholder trailer bill consistent with the Administration's proposal.
254	5180	CDSS	Trailer Bill: Specialized Care Increment Eligibility (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Allows Tribes with a Title IV-E agreement with the state to create their own Specialized Care Increment (SCI) rate-setting system for children under their jurisdiction.	Adopt placeholder trailer bill consistent with the Administration's proposal.

255	5180	CDSS	Trailer Bill: Resource Family Approval Program Alignment with Emergency Caregiver Funding Program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Aligns the 90-day Resource Family Approval (RFA) application processing time frame with the 120-day Emergency Caregiver (EC) Funding time frame.	Adopt placeholder trailer bill consistent with the Administration's proposal.
256	5180	CDSS	Trailer Bill: State and Federal Kinship Guardianship Assistance Payment Program Alignment (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates the $10,000 cash savings and personal property asset limits for children and nonminor beneficiaries of the state- and federally-funded Kinship Guardianship Assistance Payment (Kin-GAP) programs and clarifies income and property received after the start date of aid shall be disregarded. These limits are not required by federal law and are barriers to saving for a successful transition to adulthood for children and non-minors who receive Kin-GAP benefits.	Adopt placeholder trailer bill consistent with the Administration's proposal, with possible changes to address Non-Related Legal Guardians in the WIC code for parity purposes, and with automation contingency language.
257	5180	CDSS	Trailer Bill: Excellence in Family Finding, Engagement, and Support Program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Authorizes a participating county or tribe in the Excellence in Family Finding, Engagement, and Support Program, which does not have sufficient caseload, for a full-time family-finding worker to submit a written request to CDSS for authorization to use program funding for a portion of a full-time position for family-finding activities. This helps alleviate challenges for small counties and tribes.	Adopt placeholder trailer bill consistent with the Administration's proposal.
258	5180	CDSS	Home Safe Delay to 2025-26 (GB) and $65 million cut (MR)	This proposal was heard at the Subcommitee's March 7, 2024 and May 16, 2024 hearing.	GB proposal to delay $65 million in Home Safe funding to 2025-26. This includes corresponding trailer bill. MR proposal to cut $65 million in Home Safe funding.	Reject.
259	5180	CDSS	Housing and Disability Advocacy Program (HDAP) Delay to 2025-25 (GB) and $50 million cut (MR)	This proposal was heard at the Subcommitee's March 7, 2024 and May 16, 2024 hearing.	GB proposal to delay $50 million in HDAP funding to 2025-26. This includes corresponding trailer bill. MR proposal to cut $50 million in HDAP funding.	Approve as Budgeted.
260	5180	CDSS	Trailer Bill: Facility Inclusion for Community Care Expansion Preservation Program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Authorizes CDSS to accept an alternative legally enforceable agreement in lieu of a deed restriction for a facility awarded Community Care Expansion (CCE) funding and that seeks to receive Capitalized Operating Subsidy Reserve (COSR) funds, to demonstrate the requirement to provide licensed residential care for at least the term of the reserve.	Adopt placeholder trailer bill consistent with the Administration's proposal.
261	5180	CDSS	Trailer Bill: Data Sharing to Quantify the Impacts of the Safety Net on the Whole Californian (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Provides statutory authority for CDSS to receive data to measure and report outcomes related to housing stability of Californians currently or potentially participating in CDSS programs, including but not limited to CalFresh, CalWORKs, housing and homelessness programs, and Guaranteed Income.	Adopt placeholder trailer bill consistent with the Administration's proposal, with modifications to include how the information can relay point in time and trend data on the state of housing instability for families in the CalWORKs program.

262	5180	CDSS	Adult Protective Services (APS) Expansion (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Reduction of $40 million in 2024-25 and ongoing for Adult Protective Services Expansion.	Reject.
263	5180	CDSS	Adult Protective Services Training (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates $4.8 million in total ongoing funding for Adult Protective Services training.	Reject.
264	5180	CDSS	Adult Protective Services Planning and Development of a Data Warehouse (GB)	This proposal was heard at the Subcommittee's March 7, 2024 hearing.	Limited-term federal fund authority of $369,000 in 2024-25 and $357,000 in 2025-26, including two positions, to begin planning and development efforts toward a data warehouse for the APS Program. This proposal has no effect on the General Fund.	Approve as Budgeted. Additionally, adopt budget bill language to require reporting to the Legislature on key project milestones and metrics regarding APS, including information on disparities and trend data.
265	5180	CDSS	Rescind In-Home Supported Services (IHSS) Based on Immigration Status (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Rescinds IHSS based on immigration status to save $94.7 million in 2024-25 and ongoing. This solution includes corresponding trailer bill.	Reject.
266	5180	CDSS	Eliminate IHSS Permanent Backup Provider System (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Eliminates the IHSS Permanent Backup Provicer System to save $11.6 million in 2024-25 and ongoing. This solution includes corresponding trailer bill language.	Modify. Reject elimination of the IHSS Backup provider system but reduce $3 million in 2024-25 to account for lower utilization.
267	5180	CDSS	Eliminate funding for Temporary Protected Status legal services (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Reduces funding for Temporary Protected Status legal services by $10 million in 2023-24 and ongoing.	Reject.
268	5180	CDSS	Reduce funding for CSU Immigration Legal Services (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Reduces funding for CSU Immigration legal services by $5.2 million in 2023-24 and ongoing.	Reject.
269	5180	CDSS	Reduce funding for Rapid Response program (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Reduces recently reappropriated funding for the Rapid Response program by $29 million.	Reject. Additionally, adopt budget bill language to re-appropriate Rapid Response program funding from 2023-24 into 2024-25.
270	5180	CDSS	Improving Operations to Support Refugee Children (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $1.62 million in federal funding in 2024-25 and ongoing for nine permanent positions to implement and oversee new and ongoing federal initiatives that support refugee and immigrant youth and families. This proposal has no impact on the General Fund.	Approve as Budgeted.
271	5180	CDSS	Refugee Resettlement Staffing (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $2.4 million federal funds in 2024-25 and $2.3 million federal funds ongoing for 13 permanent positions to implement federally funded initiatives that support refugee families.	Approve as Budgeted.

272	5180	CDSS	Security Architecture Compliance Assessment (GB)	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	CDSS requests $2 million General Fund one-time to meet the new IT security Zero Trust Architecture (ZTA) and Multifactor Authentication (MFA) standards defined by the California Department of Technology (CDT).	Approve as Budgeted.
273	5180	CDSS	May Revision Caseload and Technical Adjustments (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Includes various caseload adjustments and other adjustments to CDSS budget at May Revision, including: maintenance of county expense claim reporting information system, Summer EBT (SUN Bucks) administration funding, child welfare training program net-zero funding shift, Guardian Background Check System maintenance, preschool development grant reimbursement, able-bodied adults without dependents provisional language, elimination of comparable disqualification, federal reporting requirements for National Center for Missing and Exploited Children, BH-CONNECT reappropriation, and FFPSA technical change.	Approve as Budgeted.
274	5180	CDSS	Provisional Language: Fiscal Responsibility Act (FRA) Alternative Accountability Pilot Opportunity (MR)	This proposal was heard at the Subcommittee's April 11, 2024 and May 20, 2024 hearing.	CDSS requests that provisional language to allow the Department of Finance to increase expenditure authority up to $2.4 million to implement the FRA pilot if California is selected to participate.	AAB, contingent on the adoption of placeholder trailer bill to implement family-centered changes as part of the pilot program, including limiting family sanctions, creating a family-centered program structure, and repealing the county Work Participation Rate (WPR) penalty.
275	5180	CDSS	May Revision Chaptered Legislation (MR)	This proposal was heard at the Subcommittee's May 20, 2024 hearing.	Includes funding to implement recently chaptered legislation.	Approve as Budgeted.
276	5180	CDSS	Trailer Bill: Emergency Food Bank Reserve	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Permanently authorize the state Emergency Food Bank Reserve. This has no General Fund impact.	Adopt legislative trailer bill.
277	5180	CDSS	Trailer Bill: Extend CalFresh Safe Drinking Water Pilot	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	Extend the duration of the CalFresh Safe Drinking Water pilot program to allow remainder of $3 million from the 2023 Budget Act to be spent. This has no General Fund impact.	Adopt legislative trailer bill.
278	5180	CDSS	California Statewide Automation System (CalSAWS) Stakeholder Engagement Supplemental Report Language	This proposal was heard at the Subcommittee's April 11, 2024 hearing.	The 2023 Budget Act included Supplemental Report language to require reporting on stakeholder engagement regarding the public-facing elements of the CalSAWS and BenefitsCal systems.	Request final report on CalSAWS, with an extension for the due date from July 1, 2024 (as included in the SRL from 2023) to January 1, 2025, and request that it include thorough responses to the questions and issues raised by the CalSAWS Advocates Group in March 2024.
279	5180	CDSS	SSI/SSP Grant Display	SSI/SSP issues were heard at the Subcommittee's March 7, 2024 hearing.	Legislative trailer bill proposal to require CDSS to include a display in the January and May Local Assistance binders that show the current SSI/SSP grant levels for individuals and couples against fair market rent in all 58 counties.	Adopt placeholder legislative trailer bill.

280	5180	CDSS	County Match for Base Housing and Homelessness Programs	CDSS Housing and Homelessness Programs issues were heard at the Subcommittee's March 7, April 25, and May 16 hearing.	Legislative proposal to eliminate the county match requirement in baseline Housing and Homelessness programs.	Adopt placeholder legislative trailer bill.
281	5180	CDSS	Home and Community Based Services (HCBS) Spending on IHSS Career Pathways Program	This proposal was heard at the Subcommittee's March 7, 2024 and May 17, 2024 hearings.	Legislative proposal to adopt Supplemental Report Language requiring CDSS to provide information on a monthly basis starting August 1, 2024 until the full utilization and expiration of HCBS funds for the IHSS Career Pathways Program, with outcome information on the number of providers completing classes and claims for incentive payments.	Adopt placeholder Supplemental Report Language.