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BUDGET AND FISCAL REVIEW

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Agenda
January 26, 2010
Room 4203
1 – 4 p.m.

*Overview of the Governor’s Budget Proposals for
Health, Developmental Services, Mental Health
and the AIDS Drug Assistance Program*

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4260 Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4260-101-0001 Department of Health Care Services: Medi-Cal Program

Obtain Federal Approval to Establish Limits on Benefits, Expand Cost Sharing & Other Program Changes.

The Governor proposes legislation for the DHCS to negotiate with the federal government to implement various changes to Medi-Cal for a reduction of \$2.388 billion (total funds). This proposal would require federal law changes and other federal approvals. The amount of GF savings attributed to this action is contingent upon the FMAP provided for California. The budget assumes a GF savings of \$750 million.

A July 1, 2010 implementation date is assumed.

The Governor also assumes (1) continuation of the federal American Recovery and Reinvestment Act from December 30, 2010 to June 30, 2011 at 61.59% FMAP; and (2) an overall increase of the FMAP base from 50 percent to 57 percent.

<p>-\$750,000 GF</p>	<p>This proposal is under development and is one of the Governor's federal government requests. The reduction amount is an <i>initial</i> estimate. The level of General Fund savings is also contingent upon</p>
<p><i>or</i></p>	<p>the amount of "Federal Medical Assistance Percentage (FMAP) provided for California.</p>
<p>-\$917,100 LAO GF</p>	<p>Broadly crafted legislation from the DHCS states that cost-containment methods shall achieve</p>
<p>reduction in matching federal funds</p>	<p>\$2.388 billion (\$750 million GF) annually and may include:</p>
	<ol style="list-style-type: none"> 1. Increased utilization controls, including limits on particular services and benefits; 2. Increased cost-sharing through co-payments and premiums; and 3. Flexibility in adjusting provider rates.
	<p>The DHCS would affect these changes based on federal approval. The Legislature would only receive notification of these changes through the Joint Legislative Budget Committee within 30-days prior to implementation.</p>
	<p>The LAO assumes savings of \$917.1 million (GF) by assuming continuation of ARRA.</p>

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Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Newly-Qualified Legal Immigrant Adults. The Governor proposes legislation to eliminate full-scope Medi-Cal for newly-qualified legal immigrant adults in the U.S. for less than five years for a net savings of \$433,000 (reduction of \$697,000 GF and an increase of \$264,000 federal funds) in 2009-10, and \$33.4 million (reduction of \$53.8 million GF and an increase of \$20.4 million federal funds) in 2010-11.</p> <p>Effective June 1, 2010, these individuals (48,600 adults) would only receive emergency services, prenatal care, state-only breast and cervical cancer treatment, long-term care, and tuberculosis services.</p> <p>The DHCS states 56 percent of the cost for services would shift to emergency services and would be partially reimbursed by the federal government.</p>	<p align="center">-\$697 GF</p> <p align="center">\$264,000 federal</p>	<p align="center">-\$53,854 GF</p> <p align="center">\$20,425 federal</p>	<p>California has always provided legal immigrant adults with full-scope services in Medi-Cal if they otherwise meet all other eligibility requirements. Medi-Cal uses 100 percent GF funding for this purpose.</p> <p>Due to federal law changes enacted in 1996, federal matching funds are not provided for non-emergency services for this category of individual. Federal law does require states to provide emergency services and will reimburse for these services if they are identified as being an emergency medical service.</p> <p>California has incorporated the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) option to obtain federal funds for legal immigrant children and pregnant women by eliminating the previous five-year waiting period; as such, federal funds are now obtained for this population.</p>

4260

Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Permanently Residing Under Color of Law (PRUCOL individuals).</p>	<p>-\$465 GF</p>	<p>-\$63,800 GF</p>	<p>PRUCOL generally means that the immigration authorities are aware of a person's presence and have no plans to deport or remove them from the country. Medi-Cal lists several immigration statuses that are considered PRUCOL. The various PRUCOL categories are permitted by the Department of Homeland Security to remain in the U.S.</p>
<p>The Governor proposes legislation to eliminate full-scope Medi-Cal for individuals designated as PRUCOL for net savings of \$289,000 (reduction of \$465,000 GF and increase of \$176,000 federal funds) in 2009-10, and \$39.6 million (reduction of \$63.8 million GF and an increase of \$24.2 million federal funds) in 2010-11.</p>	<p>\$176,000 federal</p>	<p>\$24,200 federal</p>	<p>There are 17,000 people whom Medi-Cal considers to be PRUCOL. Medi-Cal uses 100 percent GF funding for this purpose.</p>
<p>Effective June 1, 2010, these individuals (17,000 people) would only receive emergency services, prenatal care, state-only breast and cervical cancer treatment, long-term care, and tuberculosis services.</p>			<p>California has always provided full-scope services to these individuals if they otherwise meet all other eligibility requirements.</p>
<p>The DHCS states that 56 percent of the cost for services would shift to emergency services and would be partially reimbursed by the federal government.</p>			<p>Due to federal law changes enacted in 1996, federal matching funds are not provided for non-emergency services for this category of individual. Federal law does require states to provide emergency services and will reimburse for these services if they are identified as being an emergency medical service.</p>

4260

Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Eliminate Adult Day Health Care.</p> <p>The Governor proposes legislation to eliminate these services for a reduction of \$3.9 million (\$1.5 million GF) in 2009-10, and \$350.7 million (\$134.7 million GF) in 2010-11. A June 1, 2010 implementation date is assumed.</p> <p>ADHC services are a community-based day program providing health, therapeutic, and social services designed to serve those at risk of being placed in a nursing home.</p> <p>There are 320 active ADHC providers in Medi-Cal who serve about 37,000 average monthly Medi-Cal enrollees.</p> <p>Under federal law ADHC services are “optional” for states to provide.</p>	<p>-\$1,519 GF</p> <p>-\$2,435 federal</p>	<p>-\$134,732 GF</p> <p>-\$216,039 federal</p>	<p>There are 37,000 average monthly Medi-Cal enrollees in ADHC services and the average monthly cost per user is estimated to be \$978 (all inclusive/bundled rate) in 2010-11.</p> <p>Several cost-containment actions have occurred. In 2004 the DHCS placed a moratorium on the expansion of ADHC providers which is still in place. In 2009 a rate freeze was enacted which is proposed for continuation into 2010-11. Onsite treatment authorization reviews (TARs) were implemented in November 2009 and are estimated to reduce expenditures by 20 percent.</p> <p>Medical acuity eligibility criteria were placed into statute in 2009 and are to be implemented as of March 2010. DHCS estimates this will reduce expenditures by another 20 percent.</p> <p>The implementation of reducing ADHC benefits to a maximum of three days per week, as enacted in 2009, was enjoined in September 2009 in the case of <i>Brantwell v. Maxwell-Jolly</i>.</p>

4260

Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Delay Medi-Cal Checkwrite for Institutional Providers.</p>	<p>-\$94,266 GF</p>	<p>\$38,500 GF</p>	<p>This proposal would shift the June 17, 2010, checkwrite for institutional providers to the first week of July, and the new fiscal year.</p>
<p>The Governor proposes to delay the June 17, 2010, Medi-Cal checkwrite for institutional providers for a one-time only reduction of \$256.9 million (\$94.3 million GF) in 2009-10, with a corresponding cost of \$38.5 million GF in 2010-11.</p>	<p>-\$162,590 federal funds</p>	<p>-\$38,500 federal funds</p>	<p>Since 2004-05, the last Medi-Cal checkwrite in June has been delayed until the start of the next fiscal year. This proposal would make it two checkwrites at the end of each fiscal year.</p>
<p>No statutory change is proposed.</p>			<p>The federal ARRA penalty of \$38.5 million is applicable to this new, additional shift.</p>
<p>The increase of \$38.5 million GF for 2010-11 is the estimated penalty California would need to pay for violating "prompt payment" provisions as contained in the federal American Recovery and Reinvestment Act (ARRA) of 2009.</p>			<p>Institutional providers includes hospitals, long-term care facilities, various types of clinics, Adult Day Health Care, Home Health Agencies, Mental Health Inpatient and others. Other fee-for-service providers would not be affected by this new proposal.</p>

4260

Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Reduce Reimbursement Paid for Eight Family Planning Service Codes.</p>	<p>-\$74 GF</p>	<p>-\$15,386 GF</p>	<p>The State receives a 90 percent federal match for family planning services, including these eight family planning office visits.</p>
<p>The Governor proposes a reduction of \$343,000 (\$74,000 GF) in 2009-10, and \$88.7 million (\$15.3million GF) in 2010-11 by reducing Medi-Cal rates for eight specified office codes billed for family planning services as contained in Senate Bill 94, Statutes of 2007. The proposed reduction includes fee-for-service providers, such as physicians and clinics, and managed care health plans.</p>	<p>-\$268 federal funds</p>	<p>-\$73,350 federal funds</p>	<p>Senate Bill 94, Statutes of 2007, provided an increase for eight specified family planning office visits equal to the weighted average of at least 80 percent of the amount that the federal Medicare Program reimburses for these same or similar services. The rate became effective as of January 1, 2008.</p> <p>The Governor's proposal assumes that rate adjustments for managed care health plans will occur in 2010-11, including any needed adjustment for 2009-10.</p>
<p>California receives a 90 percent federal match for these eight specified codes. The reimbursement rate for these codes is the equivalent of the weighted average of at least 80 percent of the federal Medicare rate.</p>			

4260

Department of Health Care Services

Governor’s Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Medi-Cal Anti-Fraud on Physician Services & Pharmacy.</p>		<p>-\$26,384 net GF</p>	<p>The DHCS Medi-Cal Payment Error Study of 2007, released in May 2009, identifies Physician Services and Pharmacies at highest risk for payment error and potential fraud.</p>
<p>The Governor proposes <i>net</i> savings of \$51.5 million (\$26.4 million GF) in 2010-11 through various anti-fraud activities conducted by 38 new staff.</p>		<p>-\$25,154 federal funds</p>	<p>The DHCS Audits & Investigations Branch has 712 existing positions. They identify 373 of these positions as focused on Medi-Cal anti-fraud and abuse efforts. They contend existing staff cannot be redirected for this newly proposed effort.</p>
<p>Local assistance savings of \$56.6 million (\$28.3 million GF) assumes staff to:</p>			<p>An increase of \$5.1 million (\$1.9 million GF) is requested for 38 new positions which would be hired by July 1, 2010.</p>
<ol style="list-style-type: none"> 1. Conduct compliance-focused sweeps of Physicians (\$12 million). 2. Implement utilization controls and sanctions on Physicians (\$26.6 million). 3. Conduct Physician education functions (\$2.8 million). 4. Implement utilization controls and sanctions on Pharmacy and medical supply providers (\$8.7 million). 5. Target incontinent and durable medical providers for re-enrollment (\$3.4 million). 6. Implement “beneficiary lock-in” to deter drug-seeking behavior (\$3 million). 			<p>Key functions of this new staff would be to: (1) conduct compliance focused sweeps of suspicious Physician providers and groups; (2) institute a report card to highlight Physician payment patterns and billing errors; (3) provide training for Physicians on billing; (4) use data mining to identify Pharmacies involved in suspicious activities related to abuse of prescriptions; (5) implement a beneficiary “lock-in” program to require services from a single provider to control drug usage; and (6) require the re-enrollment of incontinence providers to reduce fraud.</p>
			<p>No legislation is proposed.</p>

4260

Department of Health Care Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4260-111-0001 Department of Health Care Services: CA Children's Services (CCS) Program

Reduce Eligibility for CCS children from 250 percent to 200 percent in Healthy Families Program.

The Governor proposes to reduce eligibility within the CCS Program for Healthy Families-linked children by reducing eligibility from 250 percent to 200 percent of poverty for a *net* reduction of \$25.8 million (\$4.2 million GF) in the CCS Program.

About 5,000 children would lose eligibility for CCS services under this proposal. This assumes that 556 children shift to CCS-only due to their medical condition and family income.

The federal government provides a 65 percent match for Healthy Families-linked children.

-\$4,161 GF This proposal conforms to the Governor's proposal in the Healthy Families Program, under Item 4280, which would reduce eligibility from 250 percent to 200 percent of County poverty.

-\$5,248 County

-\$21,634 federal funds The CCS program provides specialized, pediatric health care services to low-income children who have CCS-eligible medical conditions. CCS services are available to children enrolled in the Healthy Families Program, Medi-Cal Program and CCS-Only.

According to the DHCS, about 20 percent, or 5,560 CCS-enrolled children have family incomes between 200 percent and 250 percent of poverty. The DHCS assumes that 556 of these children will become CCS-only linked and still receive services at a state-only cost of \$1.1 million (GF).

4280 Managed Risk Medical Insurance Board

Governor’s Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4280-101-0001 Managed Risk Medical Insurance Board: Healthy Families Program

Reduce Children’s Eligibility in Healthy Families from 250 percent to 200 percent of poverty.

The Governor proposes legislation to reduce eligibility in Healthy Families from 250 percent to 200 percent of poverty for a reduction of \$41.9 million (\$10.5 million GF) in 2009-10, and \$252.4 million (\$63.9 million GF) in 2010-11.

This would result in 203,300 children immediately losing their health, dental and vision coverage as of May 1, 2010.

In addition to the 203,300 children dropped from coverage, it is estimated that 5,670 children each month (21 percent of new enrollment) would be denied enrollment from this income change.

-\$10,500 GF	-\$63,900 GF
-\$4,200 Prop 10	-\$24,400 Prop 10
-\$27,200 federal S-CHIP	-\$164,100 federal S-CHIP

Healthy Families provides subsidized health, dental and vision coverage through managed care arrangements for children (up to age 19) in families with incomes up to 250 percent of poverty, who are *not* eligible for Medi-Cal but meet citizenship or immigration requirements. A 65 percent federal match is obtained through a federal allotment. Over 900,000 children are presently enrolled.

It is likely the estimated 203,300 children dropped from coverage under this proposal would only receive episodic health care services. Emergency room visits would likely increase, as well as absences from school.

Infants in the Access for Infants and Mothers (AIM) Program (200 percent of poverty to 300 percent of poverty) are immediately enrolled into Healthy Families and can remain until age two. AIM would *not* be impacted by this proposal. An estimated 14,900 AIM-linked infants would continue to be eligible for Healthy Families under this proposal.

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
<p>Eliminate Vision Benefit & Increase Premiums Paid by Families.</p> <p>The Governor proposes legislation to eliminate vision coverage and increase monthly premiums for families with incomes from 151 percent to 200 percent of poverty effective July 1, 2010 for a combined reduction of \$65.8 million (\$21.7 million GF).</p> <p>An elimination of vision coverage results in over 900,000 children no longer having access to eye exams and glasses.</p> <p>Monthly premiums for families from 151 percent to 200 percent of poverty would be increased by \$14 per child (to \$30 for one child; \$60 for two; and a family maximum of \$90 for three or more). Families under 150 percent would not have a premium increase.</p> <p>A state plan amendment is also required.</p>	<p>-\$21,700</p> <p>-\$1,300</p> <p>-\$42,800</p>	<p>GF</p> <p>Prop 10</p> <p>federal S-CHIP</p>	<p>Elimination of vision coverage in Healthy Families would mean that only medically necessary vision-related services, such as eye surgery and treatment for eye injuries, would be covered. Eye exams and glasses would not be covered.</p> <p>All families pay a monthly premium and copayments, as applicable. The amount paid varies according to a family's income and the health plan selected. Certain premium discount options can offset some costs.</p> <p>Premiums and copayments were increased as of November 1, 2009, except for families under 150 percent. Families at 150 to 200 percent had premiums increased by \$4 per child (to \$16 for one; \$32 for two; and a family maximum of \$48 for three or more). The Governor's proposal increases it further.</p> <p>Premiums and copayments were also increased for families from 201 percent to 250 percent as of November 1, 2009. This category is not increased due to its assumed elimination.</p>

4265 Department of Public Health

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4265 Department of Public Health (DPH): Office of AIDS

Technical Federal Fund Shift.

The Administration notes a current-year shift of \$3.5 million (federal funds) from state support to local assistance is needed in order to maximize federal funds for HIV/AIDS services.

-\$3,541
federal
state support

\$3,541
federal
local

These federal funds are available due to the elimination of 21 positions in the current-year which were previously supported with these funds.

This transfer would fund HIV/AIDS prevention and testing activities, and care and support services.

Using these federal funds for local assistance is consistent with the Office of AIDS plan for HIV/AIDS services released in Fall of 2009.

There is no General Fund impact.

The DPH recrafted its HIV/AIDS services in 2009 as a result of the loss of General Fund support for direct HIV care and support services, including prevention and testing activities, due to a Governor's veto. This included a reduction of state staff and the need to re-craft the expenditure of federal funds.

The \$3.5 million (federal funds) consists of \$2.4 million in federal Centers for Disease Control grants, and \$1.1 million in Ryan White CARE Act, Part B funds.

The Administration notes if this shift does not occur, these federal funds will likely remain unspent in the current-year. Consequently, this could result in the loss of future federal supplemental allocations for HIV/AIDS services since the federal government has historically reallocated unspent federal dollars to other states.

4265

Department of Public Health

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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Eliminate Use of AIDS Drug Assistance (ADAP) in County Jails.

The Governor proposes legislation to amend Section 120955 of Health & Safety Code regarding ADAP which would make an inmate residing in a city or county jail ineligible to receive HIV/AIDS medications under the program effective July 1, 2010.

The Administration states that \$9.5 million (GF) would be saved from this action and would be invested within the ADAP to assist in meeting state expenditures in 2010-11.

The Administration states that local health jurisdictions are responsible for inmate care in jails.

ADAP contracts with a Pharmacy Benefit Manager (PBM) who purchases and distributes medications for the program.

ADAP began serving inmates in county jails in 1994 due to the increasing fiscal impact on local health jurisdictions in meeting their mandate to provide medical services to their incarcerated populations.

The ADAP's PBM contracts with either the in-house county jail pharmacy, or with the county's pharmacy service provider, to provide medications.

Thirty-six counties receive medications from ADAP to serve individuals in 44 jails. About 2,027 incarcerated individuals would be affected by this proposal.

Existing statutes in both Government Code and Penal Code address the issue of providing medical care to inmates in local jails.

4440 Department of Mental Health

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4440 Department of Mental Health (DMH): Proposal to Redirect Proposition 63 Funds

Use Mental Health Services Act (MHSA) Funds to Backfill for GF.

The Governor proposes legislation to redirect \$904.6 million in MHSA Funds to backfill for General Fund during the period of July 1, 2010 through June 30, 2012. This requires amending the MHSA Act (Proposition 63, Statutes of 2004) and voter approval (June 2010 ballot).

A total of \$452.3 million in MHSA Funds would be appropriated in lieu of GF for each fiscal year. Of this amount, \$391.2 million is for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, and \$61.2 million is for the Mental Health Managed Care Program.

(As part of his "trigger", the Governor is also proposing to redirect \$847 million in MHSA Funds for 2010-11 if \$6.9 billion in federal funds is not achieved.)

-\$452,300
GF

\$452,300
MHSA Funds

The Governor's legislation amends the non-supplantation and maintenance-of-effort provisions of the MHSA Act (Act) in order to redirect funds. This proposal is very similar to Proposition 1E of 2009 (May 2009) which was rejected by voters, except this proposal is redirecting over twice as much in MHSA Funding for the GF backfill.

The Act imposes a one percent tax on personal income in excess of \$1 million. It provides for a continuous appropriation of funds which are deposited on a percentage basis into six different components: (1) community planning; (2) community services and supports; (3) prevention and early intervention; (4) innovative programs; (5) capital facilities and technology; and (6) work force education and training. The Act requires each County Mental Health Plan to submit a three-year plan, with annual updates, to the DMH for approval after review and comment by the MHSA Oversight & Accountability Commission. Funding is provided to Counties based on their approved plans. The purpose of these plans is to expand the provision of mental health services.

4300 Department of Developmental Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4300-101-0001 Department of Developmental Services

Continue Three Percent Reduction to Regional Centers (RC).

The Governor proposes to extend by one-year a three percent reduction to Regional Center funding, both for the purchase of services and for operations for a reduction of \$115.7 million (\$60.9 million GF) in 2010-11. The extension would be through June 30, 2011.

This proposal also assumes approval of legislation to continue a one-year suspension of:

- (1) The 1:66 caseload ratio requirement of RC staff to clients; and
- (2) Certain RC salary reporting requirements.

-\$60,889
GF
-\$54,800
federal funds

This three percent reduction was enacted in Senate Bill 3X 6, Statutes of 2009, and was effective from February 1, 2009 through June 30, 2010. This legislation also suspended the 1:66 RC staff to client ratio and RC salary reporting requirement to achieve the RC operations reduction.

Several other cost-containment actions have also been enacted.

Of the total proposed reduction, \$99.5 million (\$49.7 million GF) is from purchase of services and \$16.2 million (\$11.2 million GF) is from operations.

DDS contracts with 21 RCs who are responsible for providing services, including case management, intake and assessment, community resource development, and individual program planning for consumers. RCs purchase services for consumers and their families from approved vendors and coordinate consumer services with other public entities.

4300 Department of Developmental Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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Augmentation for Costs Associated with Reductions in Other Departments.

(Will conform to other actions)

The Governor proposes an augmentation of \$50 million (GF) to backfill for service reductions in other programs that will increase Regional Center purchase of services expenditures.

This augmentation is an estimate and would need to be refined contingent upon actions taken in various programs for the Special Session.

\$50,000 GF This augmentation conforms to the Governor's reduction proposals within other departments, including the Department of Social Services and the Department of Health Care Services.

Regional Center's would experience increased purchase of services expenditures if reductions are made in the In-Home Supportive Services (IHSS) Program, the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, or in Medi-Cal.

4300 Department of Developmental Services

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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Proposed Alternative Funding for Regional Centers (RCs).

The Governor's alternative funding proposals offset \$242.7 million (GF) in Regional Center funding through the following two proposals:

- (1) Redirects \$42.7 million in TANF block grant by reducing CalWORKS grants by 15.7 percent to offset General Fund in RCs; and
- (2) Redirects \$200 million from the CA Children & Families First— Proposition 10—to offset General Fund in the RCs.

-\$242,700 GF \$42,700 TANF \$200,000 Prop 10	This conforms to the Governor's proposals within the Department of Social Services to reduce CalWORKS grants by 15.7 percent, and to redirect a portion of the California Children & Families First Commission (Proposition 10) funds.
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4250 CA Children & Families Commission (Proposition 10)

Governor's Proposal	2009-10 (\$ in thousands)	2010-11 (\$ in thousands)	Comments
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4250 CA Children & Families Commission (Proposition 10 Funding)

Redirect Proposition 10 Funds Through June 2010 Ballot Measure.

The Governor proposes legislation to redirect \$550 million (Proposition 10 Funds) in 2010-11 to backfill for General Fund support in specified programs.

Up to \$308 million is a one-time sweep of reserves from the State Commission, and \$242 million is from revenues (50 percent of *total* revenues taken from each account). The proposal assumes continuation of the revenue redirection for five-years.

The 2010-11 redirection is as follows:

- \$350 million for Department of Social Services Programs, including Child Welfare Services, Foster Care, Adoption, CalWORKS child care, SSI/SSP and Kinship Guardianship.
- \$200 million for the Department of Developmental Services.

Legislation is proposed for Special Session for placement on June ballot.

-\$550,000
GF

redirect
\$550,000
Prop 10

Proposition 10, approved by voters in 1998, created the California Children & Families Commissions (state and local First 5) which receive cigarette and tobacco product excise taxes to fund early childhood development programs for children up to age 5. Currently, 80 percent of the funds are distributed to local First 5's which use these funds for school readiness, social services, healthy kids programs and other functions.

Revenues for 2010-11 are estimated to be \$484.4 million (Proposition 10 Funds) and are allocated across seven different accounts.

The Governor's June 2010 ballot measure is similar to Proposition 1D of May 2009 which was rejected by voters.

In addition to the Governor's ballot measure, the budget assumes the State Commission will voluntarily provide a total of \$105.6 million in GF backfill (\$50 million for the Early Start Program in the DDS, and \$55.6 million for Healthy Families). Presently, the State Commission has provided \$81.4 million (Proposition 10 Funds) for 2009-10 for Healthy Families.