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

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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?