

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency (HHS) oversees twelve departments and one board, which provide essential medical, dental, mental health and social services to California's most vulnerable populations. HHS programs provide access to short- and long-term services and supports that promote health, well-being and independent living. As the state's population continues to grow and diversify, a strong and responsible network of services that is responsive to the needs of the state's at-risk residents must be maintained. Programs and services must be structured and delivered to promote improved outcomes as cost-effectively and efficiently as possible.

The proposed budget was constructed first by computing the workload budget level. From the workload budget, adjustments are made to reflect specific policy adjustments and reductions, including budget balancing reductions. With these adjustments, the revised 2007-08 budget for all HHS budgets totals \$79.5 billion in combined state and federal funds. This total includes expenditures for approximately 33,000 state employees. Change Table HHS-01 displays budgetary adjustments in 2007-08 and 2008-09

Change Table HHS-01

Health and Human Services Agency — Changes by Broad Categories

	2007-08			2008-09		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2007 Budget Act	\$29,718,647	\$49,213,957	32,955.5	\$29,706,731	\$49,150,338	32,955.5
Workload Adjustments						
Enrollment/Caseload/Population	105,819	776,904	-71.7	1,606,894	1,756,350	-365.5
Employee Compensation/Retirement	88,552	43,135	—	94,390	47,117	—
Statutory Cost-of-Living Adjustments	—	—	—	432,413	—	—
Court Orders/Lawsuits	—	—	—	364	711	0.9
Expiring Programs or Positions	—	-516	-1.9	-5,027	-9,604	-169.6
One-Time Cost Reductions	-96	-95	—	-12,726	-37,569	—
Full-Year Cost of New Programs	—	—	—	4,144	5,407	15.7
Other Workload Adjustments	12,657	144,283	108.4	73,770	107,125	407.8
Infrastructure Adjustment	-2,091	-33,613	—	31,355	25,100	—
Totals, Workload Adjustments	\$204,841	\$930,098	34.8	\$2,225,577	\$1,894,637	-110.7
Policy Adjustments						
CalWORKs Performance Monitoring and Data Validation	—	—	—	—	2,254	18.9
Delay Current Year Medi-Cal Checkwrite for One Week (Special Session)	-165,000	-165,000	—	—	—	—
Other Policy Adjustments	—	-878	0.9	27,077	-19,245	20.7
Totals, Policy Adjustments	-\$165,000	-\$165,878	0.9	\$27,077	-\$16,991	39.6
Total Adjustments	\$39,841	\$764,220	35.7	\$2,252,654	\$1,877,646	-71.1
Budget Prior to Reductions	\$29,758,488	\$49,978,177	32,991.2	\$31,959,385	\$51,027,984	32,884.4
Budget-Balancing Reductions^{1/}	-\$181,062	-\$65,500	-11.2	-\$2,661,209	-\$1,865,600	-367.5
Governor's Budget	\$29,577,426	\$49,912,677	32,980.0	\$29,298,176	\$49,162,384	32,516.9

^{1/} These dollars and PYs are included in the General Government agency; therefore, not included in each agency's totals in the applicable Summary Schedules.

* Dollars in Thousands

by broad categories. The 2008-09 total is \$1 billion, or 1.3 percent, less than the revised 2007-08 budget.

Figure HHS-01 displays the revised 2007-08 estimates of caseloads for major health and human services programs, along with the proposed 2008-09 caseload estimates for these programs.

Figure HHS-01
Major Health and Human Services Program Caseloads

	2007-08 Revised	2008-09 Estimate	Change
California Children's Services (CCS) ^a (treatment of physical handicaps)	43,273	44,830	1,557
Medi-Cal Eligible CalWORKs	6,637,700	6,563,800	-73,900
Average monthly individuals served	1,123,900	962,000	-161,900
Average monthly cases (families)	451,600	377,000	-74,600
Foster Care	71,100	67,800	-3,300
SSI/SSP (support for aged, blind, and disabled)	1,247,600	1,274,000	26,400
In-Home Supportive Services	390,000	407,900	17,900
Child Welfare Services ^b	133,600	132,100	-1,500
Non-Assistance Food Stamps	596,100	636,700	40,600
State Hospitals			
Mental health clients ^c	5,978	6,448	470
Developmentally disabled clients ^d	2,620	2,449	-171
Community Developmentally Disabled Services			
Regional Centers	221,655	232,125	10,470
Vocational Rehabilitation	80,447	80,584	137
Alcohol and Drug Programs ^e	203,275	216,786	13,511
Healthy Families Program ^f			
Children	888,450	954,252	65,802

^a Represents unduplicated quarterly caseload in the CCS Program. Does not include Medi-Cal Eligible CCS clients.

^b Represents Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement service areas on a monthly basis. Due to transfers between each service area, cases may be reflected in more than one service area.

^c Represents the year-end population. Includes population at Vacaville and Salinas Valley Psychiatric Programs.

^d Represents average in-center population. Reflects the impact of Agnews Developmental Center closure.

^e Represents Drug Medi-Cal Clients.

^f Represents the year-end population.

PROPOSED WORKLOAD BUDGET

The major workload adjustments for 2008-09 include the following:

- Enrollment, Caseload, and Population Adjustments
 — \$3.1 billion (\$1.3 billion General Fund) including:
 - \$607.4 million (\$427.3 million General Fund) in the Department of Social Services;

HEALTH AND HUMAN SERVICES

- \$1.7 billion (\$413.8 million General Fund) in the Department of Health Care Services, which includes federal funds for which the match is provided by other departments;
 - \$511.9 million (\$337.6 million General Fund) in the Department of Developmental Services; and
 - \$190.6 million (\$130.5 million General Fund) in the Department of Mental Health.
- Statutory Cost-of-Living Adjustments (COLAs): \$301.4 million General Fund for statutory payment increases in the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program and \$131 million General Fund for statutory grant increases in the CalWORKs program.
 - \$258 million General Fund backfill due to a lack of sufficient federal Temporary Assistance for Needy Families (TANF) block grant funds to support the CalWORKs program.
 - \$72.7 million (\$36.4 million General Fund) to restore funding for savings that were recognized in the 2007 Budget Act for switching the basis used to establish the drug reimbursement component of pharmacy claims in Medi-Cal. Due to federal implementation delays and recent court actions, it is unlikely that these savings will be available in either 2007-08 or 2008-09.
 - An increase of \$31.4 million (\$18.4 million General Fund) to reflect the full-year cost of foster care rate increases that became effective January 1, 2008 and increased reimbursement rates in the Private Adoption Agency

Reimbursement Payments Program that become effective February 1, 2008.

- Decreases of \$187.4 million in 2007-08 and \$15.8 million in 2008-09 for baseline adjustments in the State-Local Realignment budget due to changes in projected sales tax and vehicle license fee revenues.

PROPOSED BUDGET-BALANCING REDUCTIONS

Total budget-balancing reductions for the HHS amount to \$246.6 million (\$181.1 million General Fund) and 11.2 positions in 2007-08 and \$4.5 billion (\$2.7 billion General Fund) and 367.5 positions in 2008-09. These reductions assume necessary statutory changes will be enacted by March 1, 2008.

Programs exempted from reductions include emergency medical assets, foodborne illness and lead testing, Department of Mental Health state hospitals, funding for the California Child Support Automated System (CCSAS) to minimize unnecessary added risk to the project, funding to local child support agencies due to the nexus between local agency funding and support to the CCSAS project, certain Children's Outreach Initiative activities, and various areas within Medi-Cal (including audits and investigations, third-party liability, and long-term care rates for certain nursing facilities).

The major reductions are described below:

Department of Health Care Services

- \$33.4 million in 2007-08 and \$602.4 million in 2008-09 from reducing Medi-Cal provider rates for physicians and other medical and service providers. A proportionate reduction will be made to managed care rates.
- \$34.4 million in 2008-09 by shifting federal Safety Net Care Pool payments from designated public hospitals to the portions of the California Children's Services (CCS), the Genetically Handicapped Persons, the Medically Indigent Adult-Long-term Care, and the Breast and Cervical Cancer Treatment programs, which are eligible for these funds. This shift will allow a corresponding reduction in General Fund for these programs.
- \$30 million in 2008-09 by reducing reimbursement rates for hospitals that do not contract with Medi-Cal.
- \$56.8 million in 2008-09 payments from a reduction in the payments to certain long-term care facilities.
- \$24 million in 2008-09 from reduced Medi-Cal Disproportionate Share Hospital replacement payments for private hospitals. These payments are allocated to hospitals based on their uncompensated Medi-Cal and uninsured care costs.
- \$10 million in 2007-08 and \$134 million in 2008-09 by eliminating certain Medi-Cal optional benefits for adults including incontinence creams and washes, acupuncture, dental, audiology, optometry, optical, chiropractic, podiatry, psychology, and speech therapy.
- \$4.2 million in 2007-08 and \$50.1 million in 2008-09 related to stopping the payment of Medicare Part B

premiums for Medi-Cal share-of-cost beneficiaries who do not become Medi-Cal certified by meeting their share-of-cost during the month. These individuals are Medi-Cal eligible but have adjusted income that exceeds 129 percent of the Federal Poverty Level and have not spent down their excess income. They will have the option to pay their own premiums to maintain their Medicare Part B benefits.

- \$92.2 million in 2008-09 by reducing the 12 month Medi-Cal eligibility period for children and restoring quarterly status reports for both children and parents. Currently, children's eligibility is determined annually, while parent's eligibility is determined semi-annually. This proposal would reinstate quarterly status reports, which would allow an evaluation of the person's eligibility for Medi-Cal on a quarterly basis.
- \$75.8 million in 2008-09 in Medi-Cal payments to counties. Adjustments include: elimination of the California Necessities Index-based cost-of-living adjustment that would be provided to county eligibility, administrative, and support positions; elimination of caseload growth funding that is used to hire additional county staff to address increased workload due to increases in Medi-Cal eligibles; a reduction of the county administration base, which provides funding for staff, support, and staff development costs associated with the Medi-Cal eligibility process; and reductions in funding for administration of the CCS and Child Health Disability Prevention programs.

Department of Public Health

- \$11 million in 2008-09 for AIDS programs. This reduction will be achieved by reducing state support and local

assistance for various programs, including AIDS Education and Prevention, AIDS Epidemiology Studies and Surveillance, AIDS Drug Assistance, and HIV Counseling and Testing. At this reduced level of funding, the state will continue to meet the federal maintenance-of-effort requirement for receipt of Ryan White Act funds.

- \$5.4 million for family health programs. This will result in a reduced level of state support and local assistance funding for case management services for at-risk teens, domestic violence prevention activities, and education activities including breastfeeding, nutrition, and Sudden Infant Death Syndrome risk reduction.
- \$3.3 million for local chronic disease programs. This will result in a reduced level of state support and local assistance funding for cancer and injury prevention surveillance activities, developing public health interventions, and monitoring environmental contaminants.

Managed Risk Medical Insurance Board

- \$41.9 million in 2008-09 by reducing rates for Healthy Families Program plans, increasing premiums and co-pays, and instituting an annual cap on dental benefits.

Department of Developmental Services

- \$348.3 million (\$235.1 million General Fund) in 2008-09 through extension of existing Regional Center cost containment measures, including rate freezes on targeted program categories that are scheduled to sunset June 30, 2008.

- \$18.3 million (\$14.2 million General Fund) in 2008-09 to freeze rates negotiated by regional centers for all provider types not yet frozen and to set parameters or limits on the rates for new providers with whom the regional centers may negotiate.
- \$0.8 million General Fund in 2008-09 to expand the Family Cost Participation Program (FCPP) by assessing a share of the cost of respite, day care, and camping services to parents of Early Start consumers and by expanding the share of cost scale so that families between 400 percent of the Federal Poverty Level (FPL) and 500 percent of the FPL will pay 10 percent of the cost of these services and families at 2,000 percent of the FPL or above will pay 100 percent of the cost of these services.

Department of Mental Health

- \$8.2 million General Fund in 2007-08 and \$23.8 million General Fund in 2008-09 for managed care primarily by eliminating the annual cost-of-living increase and reducing the non-inpatient State Maximum Allowance (SMA).
- \$6.7 million General Fund in 2007-08 and \$46.3 million General Fund in 2008-09 for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program. The savings would be achieved primarily by requiring prior authorization by mental health providers for EPSDT day treatment that exceeds six months, eliminating the annual cost-of-living increase, and reducing the non-inpatient State Maximum Allowance (SMA).

Department of Social Services

- \$73.7 million in 2007-08 and \$389.1 million in 2008-09 for the CalWORKs program. The savings would be achieved as part of a reform proposal intended to improve the state's work participation rate, as necessary to avoid federal sanctions. The proposal combines work incentives with sanctions for not meeting work requirements.
- \$83.7 million in 2008-09 in reduced Child Welfare Services allocations to counties. Counties will decide how to apportion the reduced allocation.
- \$6.8 million in 2007-08 and \$81.5 million in 2008-09 for foster care and adoptions programs. The proposal would reduce rates for Foster Family Agencies, foster family homes, group homes, Adoptions Assistance, and Kin-GAP recipients.
- \$23.3 million in 2007-08 and \$300.3 million in 2008-09 for the SSI/SSP program, achieved by suspending the June 2008 and June 2009 state COLAs. Recipients will still see increased benefit payments in both years due to provision of the federal COLAs.
- \$109.4 million in 2008-09 for the In-Home Supportive Services (IHSS) program by reducing the hours allocated to IHSS recipients for non-medical services.
- \$3.4 million in 2007-08 and \$44 million in 2008-09 by eliminating the Interim Statewide Automated Welfare System (ISAWS) Migration project. The current ISAWS system remains fully operational and eliminating the ISAWS Migration project prevents the need to make reductions and introduce significant risk in other critical projects.

- \$2.3 million in 2008-09 by reducing community care licensing random visits. Under this proposal, 14 percent of facilities would receive random inspections annually. No reduction will be made to follow-up inspection schedules for facilities that have previously been found to be out of compliance with licensing standards.

OTHER SPECIAL SESSION ISSUES

The Governor has called a Special Session of the Legislature to immediately address the budget and cash shortfalls. Included in the Special Session are the following proposals that help to address the state's cash shortage:

- \$814.2 million by delaying the July and August payments and advances to counties for programs in the Department of Social Services budget until September. Payments for the SSI/SSP and IHSS programs would not be impacted.
- \$454 million delay in payments to Medi-Cal institutional fee-for-service providers in 2008-09. This proposal temporarily delays the August weekly payments to September.
- \$400 million change in disbursement pattern to Regional Centers in 2008-09. The Governor's Budget proposes to reduce the amount of advance payments the Regional Centers receive in July and August by \$400 million. In September, this funding would be restored. This modified disbursement will preserve the Regional Centers' ability to pay providers in a timely manner.

- \$232 million by delaying the August payments to Medi-Cal managed care plans and Delta Dental until September.
- \$199.7 million by delaying the mental health managed care program advance from July until September.
- \$165 million savings in 2007-08 by delaying a June payment to Medi-Cal fee-for-service providers into July. This same transaction would occur in subsequent fiscal years.
- \$164.3 million by delaying the first quarterly payment to counties for Medi-Cal administration from August to September.
- \$92 million by delaying the quarterly advance to counties for the Early and Periodic Screening, Diagnosis, and Treatment program from July to September.

PROGRAM ENHANCEMENTS AND OTHER BUDGET ADJUSTMENTS

The Governor's Budget includes significant reductions necessary to address the state's fiscal shortfall. However, the Administration remains committed to supporting improved outcomes for children and youth in foster care, ensuring more children are enrolled in no- and low-cost health coverage programs, better linking the needs of seniors and persons with disabilities with appropriate services, protecting the health and safety of Californians served by HHS-licensed facilities, and ensuring the state's public health system is ready to respond to natural and manmade disasters and incidents.

DEPARTMENT OF HEALTH CARE SERVICES

The Department of Health Care Services (DHCS) works to ensure that eligible persons and families receive comprehensive health services. By ensuring the appropriate and effective expenditure of public resources to serve those with the greatest health care needs, DHCS promotes health and well-being.

MEDI-CAL

The Governor's Budget includes \$36 billion (\$13.6 billion General Fund), a decrease of \$962.3 million (\$472.1 million General Fund) from the revised 2007-08 budget and a decrease of \$915.9 million (\$678.7 million General Fund) from the Budget Act of 2007. Average monthly caseload is forecasted to be 6.6 million persons in 2008-09, a decrease of approximately 73,900 people, or 1.1 percent, compared to 2007-08. The General Fund decrease primarily reflects implementation of quarterly status reports and reductions in benefits and provider rates, while the caseload decrease is due primarily to the proposed implementation of the quarterly status reports for children and parents.

Adult Day Health Care Reform—The Governor's Budget includes \$2.4 million (\$1 million General Fund) and 19 positions to continue program reforms and develop a new rate methodology to increase California's ability to retain federal funding and help ensure services remain available for qualified beneficiaries, as required by Chapter 691, Statutes of 2006 (SB 1755).

Provider Enrollment Automation Project—The Governor's Budget includes \$2.4 million (\$0.6 million General Fund)

to purchase and implement a provider enrollment case and document tracking system. This system will streamline the provider enrollment process, thereby shortening the time it takes to enroll providers in Medi-Cal.

Money Follows the Person Demonstration Grant —

The Governor's Budget includes \$0.2 million (\$0.1 million General Fund) and 1.9 positions to begin implementation of the California Community Transitions (CCT) program as part of the Money Follows the Person Demonstration Grant. The goal of this program is to transition Medi-Cal eligibles from high-cost institutions such as acute hospitals and nursing facilities, into lower-cost home- and community-based care settings.

Medi-Cal Eligibility Data System (MEDS) Security Fixes

– The Governor's Budget includes \$1.8 million (\$0.6 million General Fund) and 15.2 positions to enhance data security of MEDS and implement changes contained in the remediation plan signed with the federal Social Security Administration in June 2007.

Implementation of Chapter 328, Statutes of 2006 (SB 437)

– The Governor's Budget includes \$26.4 million (\$13.1 million General Fund) and 1.9 positions to continue the simplification and acceleration of enrollment in Medi-Cal as well as to establish a two-county pilot program that will allow Medi-Cal beneficiaries to self-certify their income and resources at their initial application and during their redetermination process.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health (DPH) is charged with protecting and promoting the health status of Californians through programs and policies that use population-wide interventions. The Governor's Budget includes \$3.1 billion (\$368.9 million General Fund) for the DPH in 2008-09, a decrease of \$246.2 million (\$26 million General Fund) from the revised 2007-08 budget and a \$2.9 million (\$21.7 million General Fund) net decrease from the 2007 Budget Act level.

HIV/AIDS TREATMENT AND PREVENTION

The Office of AIDS administers programs that provide local assistance funding for HIV education and prevention services, HIV counseling and testing, early intervention to prevent transmission, epidemiological studies, therapeutic monitoring, housing, home and community-based care, and HIV/AIDS drug assistance to low-income persons statewide.

The Governor's Budget includes \$404.1 million (\$165.8 million General Fund) for the Office of AIDS' Treatment and Prevention Program. This is a total decrease of \$24.4 million, or 5.8 percent below the revised 2007-08 budget.

The 2008-09 expenditure plan includes decreases of \$13.4 million to reflect the removal of one-time adjustments and \$11 million as part of the budget-balancing reductions.

LICENSING AND CERTIFICATION

Consistent with the requirements of Chapter 895, Statutes of 2006 (SB 1312), the DPH conducted a thorough comparison of state and federal standards for long-term health care facilities to determine the staff requirements necessary to ensure

compliance with the legislation. Based on the outcome of the study, the Governor's Budget includes 68.0 positions and \$8.9 million from the Licensing and Certification Program Fund that will allow the DPH to conduct periodic licensing surveys of long-term care facilities to assess compliance with state standards of safety and care. Although increases in provider fees are necessary to support these expenditures, the additional funding will ensure that California provides long-term care residents with quality medical care that exceeds the requirements of federal law.

PROPOSITION 99 EXPENDITURES

The Governor's Budget projects Proposition 99 revenue of \$335.3 million in 2008-09, \$8 million more than the revised 2007-08 budget. This estimated increase is attributable to a Board of Equalization proposal to better recover state tax revenues from cigarette and tobacco sales. However, the revised 2007-08 revenue estimates are \$9.7 million below the 2007 Budget Act level. Historically, Proposition 99 revenues have declined annually as a result of declining smoking rates.

Due to the decrease in 2007-08 revenue, the Governor's Budget proposes a reduction of \$778,000 for the California Healthcare for Indigents Program (CHIP) and \$100,000 for Rural Health Services. Due to lower revenues and an increase in costs for the Access for Infants and Mothers (AIM) program in 2008-09, the Governor's Budget proposes the following reductions: \$12.8 million for the CHIP, \$4.2 million for the Breast Cancer Early Detection Program, \$4.3 million for the Major Risk Medical Insurance Program, and \$1.2 million for the Expanded Access to Primary Care program.

MANAGED RISK MEDICAL INSURANCE BOARD

The Governor's Budget includes \$1.3 billion (\$390.4 million General Fund) for MRMIB in 2008-09, a decrease of \$2.3 million (\$5.6 million General Fund) from the revised 2007-08 budget and \$20.4 million (\$10.7 million General Fund) below the Budget Act of 2007. This decrease is due primarily to application of the budget balancing reductions.

HEALTHY FAMILIES PROGRAM

The HFP is a subsidized health coverage program for eligible children in families with low- to moderate-income who are ineligible for no-cost Medi-Cal. This program provides low-cost medical, dental and vision coverage to eligible children from birth to age 19. HFP expenditures are projected to decline from revised expenditures of \$1.1 billion (\$393.6 million General Fund) in 2007-08 to \$1.1 billion (\$387.8 million General Fund) in 2008-09, a decrease of \$5.8 million General Fund, or 1.5 percent. This decline is primarily the result of anticipated implementation of the budget balancing reductions which include a rate reduction for plans, institution of an annual cap on dental benefits, and increases in premiums and co-pays. The increase in premiums and co-pays will vary by income level and are within the percentage of family income allowed under federal law. Program enrollment is projected to grow from 888,450 by year-end 2007-08 to 954,252 by year-end 2008-09, for a total increase of 65,802 children, or 7.4 percent.

Implementation of Chapter 328, Statutes of 2006 (SB 437)—The Governor's Budget includes \$5.9 million (\$2.1 million General Fund) and 2.8 positions to simplify and accelerate enrollment in the Healthy Families Program

as well as allow families to self-certify their income during eligibility redetermination.

ACCESS FOR INFANTS AND MOTHERS PROGRAM

The AIM program provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level. This coverage extends from the date of enrollment in the program to 60 days postpartum. Eligible children born to AIM mothers are enrolled in the HFP if they have no other insurance coverage. Expenditures for this program are projected to increase from \$134.6 million (\$60.2 million Perinatal Insurance Fund) in 2007-08 to \$153.7 million (\$68.8 million Perinatal Insurance Fund) in 2008-09, for a total increase of \$19.2 million, or 14.3 percent. This change in total expenditures primarily is due to increased enrollment of women from 13,859 in 2007-08 to 15,836 in 2008-09, an increase of 1,977 women, or 14.3 percent.

MAJOR RISK MEDICAL INSURANCE PROGRAM

The Governor's Budget includes \$36 million for MRMIP, which provides health care coverage to medically high-risk individuals and the medically uninsurable who are denied coverage through the individual health insurance market. This funding level reflects a \$4 million reduction from the \$40 million historical level due to a continuing decline in Proposition 99 revenues. Program enrollment is "capped" at the level of annual funding provided. The program currently provides benefits to a total of 8,043 people, with 65 people on the waiting list as of December 1, 2007.

Chapter 794, Statutes of 2002, required MRMIP participants who had been in the program for 36 months to be disenrolled,

but provided for guaranteed-issue coverage offered by health plans in the individual insurance market. This statute sunset on December 31, 2007. Therefore, MRMIB is no longer disenrolling members from MRMIP.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Governor's Budget includes \$4.5 billion (\$2.7 billion General Fund) for the Department of Developmental Services (DDS) in 2008-09, a net increase of \$53.3 million (\$59.8 million General Fund) above the revised 2007-08 budget and \$143 million (\$81 million General Fund) above the Budget Act of 2007.

DEVELOPMENTAL CENTERS

The Governor's Budget proposes \$667.1 million (\$354.8 million General Fund) and 6,508.7 positions, a net decrease of \$87.6 million (\$59.8 million General Fund) and 804 positions from the revised 2007-08 budget. The change primarily reflects the Agnews closure and a reduction in the developmental center population as consumers transition into the community, as well as reductions of \$29.4 million (\$22.1 million General Fund) to the developmental centers budget.

Agnews Developmental Center Closure—The Governor's Budget includes a decrease of \$62.1 million (\$38.7 million General Fund) due to the closure of Agnews effective June 30, 2008. This decrease includes the reduction of 819 positions at Agnews DC. The Governor's Budget includes an increase of \$4.0 million (\$192,000 General Fund, \$3.8 million reimbursements) and 24 positions to provide medical, dental and other professional services through a

Primary Care Clinic to individuals residing in the community and to facilitate smooth transition of consumers to community health care providers. The 24 positions are included as part of the 200 Agnews employees working in the community.

REGIONAL CENTERS

For 2008-09, the Governor's Budget proposes \$3.8 billion (\$2.3 billion General Fund) to support the regional centers, a net increase of \$141.5 million (\$119.8 million General Fund) from the revised 2007-08 budget. The change reflects increases in regional centers caseload. The regional center community population is projected to increase by 12,895 consumers, to 232,125 consumers in 2008-09, which includes an increase of 176 developmental center residents who will move into the community.

Increased Access to Mental Health Services—Consistent with the requirements of the Mental Health Services Act, the DDS proposes an expenditure of \$1.1 million from the Mental Health Services Fund to increase access to mental health services for consumers who are dually diagnosed with a developmental disability and a mental illness. Through the identification of best practice models and training, DDS will improve clinical capacity and effectiveness of direct services to dually diagnosed consumers.

DEPARTMENT OF MENTAL HEALTH

The Governor's Budget includes \$5 billion (\$2.1 billion General Fund) for the Department of Mental Health (DMH) in 2008-09, a net increase of \$144.4 million (\$143.8 million General Fund) from the revised 2007-08 budget and an increase of \$159.4 million (\$168.3 million General Fund)

from the Budget Act of 2007. This net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, fully funding AB 3632 mental health services program mandates, employee compensation adjustments including funding for Coleman classifications, growth in the state hospitals including continued compliance with the Civil Rights of Institutionalized Persons Act (CRIPA), and the continued activation of Coalinga State Hospital.

CIVIL RIGHTS OF INSTITUTIONALIZED PERSONS ACT

The federal CRIPA authorizes the U.S. Attorney General to conduct investigations and litigation relating to confinement in state or locally operated institutions. Since June 2, 2006, California's state hospitals have operated under a Consent Judgment with the U.S. Department of Justice (USDOJ) in order to address deficiencies in patient treatment and care which were deemed to be violations of CRIPA. The DMH has agreed to bring all four of the hospitals that fall under the direction of the Consent Judgment into compliance by June 30, 2009.

In order to ensure that the state hospitals meet the wide-ranging treatment and performance requirements of the Consent Judgment, the Governor's Budget includes \$5.2 million General Fund and 28.0 positions in 2008-09. These additional resources include positions dedicated to monitoring hospital compliance and to the continued implementation of the Wellness and Recovery Model Support System project, an expansive information technology network that will ensure state hospital compliance with CRIPA.

CONDITIONAL RELEASE PROGRAM

The Forensic Conditional Release Program (CONREP) mandates responsibility to the DMH for outpatient treatment and supervision of judicially committed patients including Mentally Disordered Offenders, individuals found Not Guilty By Reason of Insanity, Mentally Disordered Sex Offenders, and Sexually Violent Predators (SVPs). The Governor's Budget includes \$1.8 million General Fund for an incremental 4-percent rate increase to cover the cost of clinical care incurred by county and private providers and to fund an estimated increase of 4 SVPs into the program. The rate increase will offset rising provider costs so that caseload within the program can be maintained.

STATE HOSPITALS

In 2007-08, there is a decrease of \$7.4 million General Fund and 89.3 positions to reflect a downward adjustment to the hospital population in the current year. The Governor's Budget includes \$1.2 billion General Fund and 11,686.2 positions for 2008-09, an increase of \$78.8 million and 559.5 positions from the revised 2007-08 budget, due primarily to the implementation of Phase IX of the Coalinga State Hospital activation plan and resources to comply with CRIPA. The patient population is projected to reach a total of 6,448 in 2008-09.

Continued Activation of Coalinga State Hospital—Coalinga State Hospital opened in September 2005 and began admitting SVP patients transferred from Atascadero State Hospital. However, patient transfers have been slower than anticipated due to difficulty in filling staff positions at Coalinga. The DMH has been working to address the delayed hiring of

level-of-care staff necessary for bed activation by continuing aggressive recruitment efforts throughout California and the United States, using recruitment and retention differentials where appropriate, and contracting for nursing registry services as needed. As patient transfers to Coalinga increase, additional patients currently awaiting transfer from local jails will be admitted to the state hospital system. The Administration estimates that the population at Coalinga will be 1,257 patients in 2008-09, an increase of 360 patients over the population level included in the 2007 Budget Act.

Metropolitan State Hospital School Closure

—The Governor’s Budget reflects a decrease of \$3.8 million General Fund to reflect closure of the school that currently provides education services to adolescents at Metropolitan State Hospital. Due to the declining adolescent population, coupled with efforts to place youth in the community, the DMH will cease operating this unit when all children are placed in the community. This is anticipated to occur in January 2008.

COMMUNITY MENTAL HEALTH SERVICES

The Governor’s Budget includes \$3.6 billion (\$815 million General Fund) for 2008-09, an increase of \$61.5 million (\$58.7 million General Fund) compared to the revised 2007-08 budget.

Early and Periodic Screening, Diagnosis and Treatment Program

The EPSDT Program is an entitlement program for children and adults under age 21. The program provides services to approximately 193,735 Medi-Cal-eligible children and young adults to correct or ameliorate diagnosed mental illnesses.

In 2007-08, there is a decrease of \$5.5 million (\$3.6 million General Fund) due to a reduction in estimated Mental Health Services Act (MHSA)-driven EPSDT costs. In 2008-09, there is an increase of \$105.4 million (\$51.4 million General Fund) above the Budget Act of 2007 attributable to increases in the cost and volume of claims, including the effect of the MHSA on EPSDT services. The EPSDT Program also is being reduced by \$13.4 million (\$6.7 million General Fund) in 2007-08 and by \$92.6 million (\$46.3 million General Fund) in 2008-09 as part of the budget balancing reductions.

Mental Health Managed Care

As part of the budget balancing reductions, the mental health managed care program is being reduced by \$8.2 million General Fund in 2007-08, and by \$46.7 million (\$23.8 million General Fund) in 2008-09. These reductions will reduce the amount paid to county mental health plans.

Mental Health Services Act (Proposition 63)

Revenues to the Mental Health Services Fund are projected to decrease over previous estimates by \$177.2 million in 2007-08 and \$105.2 million in 2008-09, for total estimates of \$1.6 billion in 2007-08 and \$1.7 billion in 2008-09.

These funds are continuously appropriated to the DMH for county implementation of the MHSA. Almost all counties have completed their community planning processes. Counties are in the process of implementing the Community Services and Supports component of the MHSA, which provides additional mental health services to individuals with serious mental illness. The other four components (Prevention and Early Intervention, Workforce Education and Training, Capital

Facilities and Technology Needs, and Innovation) are expected to be implemented by the end of 2007-08.

DEPARTMENT OF CHILD SUPPORT SERVICES

The Governor's Budget includes \$1 billion (\$300.8 million General Fund), a decrease of \$204.9 million (\$50.9 million General Fund) below the revised 2007-08 budget.

This decrease is primarily associated with a reduction of one-time payments and system automation costs incurred in 2007-08, and proposed budget balancing reductions.

CHILD SUPPORT COLLECTIONS

The child support program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. For display purposes only, the Governor's Budget reflects the total collections received, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections is included in statewide revenue projections. Child support collections for 2007-08 are estimated to be \$2.2 billion (\$225.9 million General Fund). Collections for 2008-09 are projected to be \$2.2 billion (\$201.7 million General Fund).

CHILD SUPPORT AUTOMATION

The Franchise Tax Board (FTB) is the agent of DCSS for the procurement, development, implementation, maintenance, and operation of the California Child Support Automation System (CCSAS). The CCSAS project consists of two components: the Child Support Enforcement (CSE) component provides the core automated functionality to

manage child support cases, and the State Disbursement Unit (SDU) interfaces with the CSE and processes payments to custodial parties. The state is responsible for developing and implementing the CCSAS and transitioning all counties onto this new system. Implementation began in May 2007 and eighteen counties have successfully implemented the system. The state expects to complete statewide implementation in 2008-09.

As full implementation of the CCSAS project nears, the state is planning to consolidate responsibility for the project within the DCSS. A forthcoming transition plan will detail the transfer of all resources and responsibilities for the continued maintenance of the CCSAS system from the FTB to the DCSS with the transition to begin in 2008-09.

INCREASE CHILD SUPPORT PASS-THROUGH

Effective October 1, 2008, the federal Deficit Reduction Act of 2005 (DRA) provides for federal participation at the 50 percent level in child support that is passed through to CalWORKs families. When child support is collected for families receiving CalWORKs benefits, a portion of child support payments collected are remitted to state, federal and county governments to help offset the costs of providing public assistance benefits to these families. Of the state portion of recoveries, California currently passes through \$50 per month to CalWORKs families. These funds are disregarded for CalWORKs benefit calculation purposes. The Governor's Budget proposes to establish federal participation at the 50 percent level in the current \$50 disregard which will result in increased General Fund revenues of \$3.9 million for the period between October 1, 2008 and January 1, 2009. Additionally, the Governor's Budget proposes to increase the

amount of child support passed through to CalWORKs families from \$50 to \$100 per month effective January 1, 2009. Due to federal participation, the increase from \$50 per month to \$100 per month will be revenue neutral to the General Fund.

DEPARTMENT OF SOCIAL SERVICES

The Governor's Budget includes \$19 billion (\$9.1 billion General Fund) for the DSS in 2008-09, an increase of \$55.8 million General Fund from the revised 2007-08 budget and \$75.9 million General Fund from the Budget Act of 2007.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

Total California Work Opportunity and Responsibility to Kids (CalWORKs) program expenditures of \$7 billion (state, local, and federal funds) are proposed for 2008-09, including TANF and maintenance-of-effort (MOE) countable expenditures. The amount budgeted includes \$4.7 billion for CalWORKs program expenditures within the DSS budget, \$108 million in county expenditures, \$2.2 billion in other programs, and \$133.4 million for a CalWORKs program reserve. The \$2.2 billion in other programs includes MOE expenditures in excess of the required level. Recent federal changes expanded MOE-eligible spending to include certain expenditures for non-assistance benefits and services. This allows additional expenditures of \$349.2 million for the State Department of Education's after school programs and the Student Aid Commission's CalGrants to be counted towards the CalWORKs MOE, reducing California's work participation requirement by an estimated 5.1 percent.

CalWORKs COLA—The Governor’s Budget includes \$131 million to provide a statutory COLA for assistance payments. This COLA, scheduled to become effective July 1, 2008, is estimated to increase monthly grant levels for a family of three from \$723 to \$754.

After many years of decline, caseload has been flattening over the last five years. Absent the program changes described below, the average monthly caseload in this program is estimated to be 450,900 families in 2008-09, a 1.4-percent decrease over the 2007-08 projection. The proposed changes to CalWORKs are estimated to reduce the 2008-09 caseload projection to 377,000 families, a 16.5-percent decrease from the 2007-08 projection.

Because many recipients are not working sufficient hours to meet the federal work participation requirements, California’s work participation rate has ranged from a high of over 40 percent in 1999 to less than 22 percent now under new federal rules. In the past, California met the federal requirements due to the significant caseload reduction credits allowed under the original federal welfare reform legislation. The federal Deficit Reduction Act of 2005 (DRA) reauthorized the TANF program, adjusted the base year, and made other changes that will require California to increase work participation rates of individuals receiving assistance funded with TANF and matching MOE resources or face substantial fiscal penalties.

Current policies are not expected to increase work participation rates enough to meet the federal requirement for at least 50 percent work participation among all families. Although the rates have not yet been finalized, California will fail to meet

the work participation rate for federal fiscal year (FFY) 2007, the first year for which the DRA's changes were effective. As a result, California's MOE will be 80 percent of FFY 1994 historic expenditures rather than the 75 percent MOE level California has been required to meet. The Governor's Budget increases MOE spending by \$179.5 million in 2008-09, to \$2.9 billion, to reflect this penalty.

In place of a budget balancing reduction, the Governor's Budget proposes to implement changes that promote personal responsibility and hold recipients accountable for the consequences of their actions, strengthen the work focus of the program, and improve California's ability to meet federal requirements and avoid fiscal penalties. The following key policy objectives serve as a foundation for the Administration's CalWORKs proposal:

- Emphasize the shared responsibility of government and participants to help families prepare for and achieve self-sufficiency through work.
- Continue to focus on employment to maximize participation in the workforce and decrease dependence upon aid.
- Create incentives for counties to utilize available resources more effectively and efficiently and reward the achievement of welfare-to-work goals.
- Maintain the support services necessary to transition recipients to the workforce.
- Maintain a statewide safety net for low-income families who meet work requirements.
- Maximize available federal block grant funds.

Major programmatic changes that place greater emphasis on work participation and reduce reliance upon public assistance are necessary to significantly improve the ability of the state and counties to meet federal work requirements in the TANF program. Failure to do so will result in substantial additional federal penalties to the state and counties. California must change its welfare policies while maintaining CalWORKs' core goals to minimize the risk of penalties and improve program outcomes. Key components of this effort include:

- **Implement Graduated Full Family Sanctions—** This proposal strengthens work requirements and recipient accountability by reducing grants by 50 percent when adults have been sanctioned for not participating and have remained in sanction status for an accumulated total of six months. Adults who have been sanctioned for not participating for a second accumulated total of six months will receive a full family sanction. Adults could remedy their sanction at any time by complying with appropriate work activities. Prior to any graduated sanction, counties will contact the adult to ensure that he or she understands the participation requirements and to urge program compliance, as well as connect adults to resources in order to remove barriers to participation. These contacts will consist of a combination of phone calls, letters, and home visits. This graduated full family sanction policy will reduce prolonged noncompliance while providing a reasonable timeframe to achieve compliance during which time benefits are still available.
- **Work Incentive Nutritional Supplement—** This proposal promotes self-sufficiency through work by providing supplemental food stamp benefits to certain

working families. Working families who are receiving food stamps, but not also receiving CalWORKs assistance, would be eligible for this benefit if they work sufficient hours to meet federal TANF work participation requirements. This supplement provides a further bridge to self-sufficiency and better ensures that families who previously received CalWORKs assistance will not fall back into the program. This benefit would be set at a flat amount of \$40 per month and each food stamp household may be eligible for one supplemental work incentive benefit per month.

- Continue County Efforts – This proposal continues to support and promote county efforts to increase work participation by implementing county peer reviews, publicizing individual county performance outcomes, and continuing funding for county implementation of strategies to engage CalWORKs recipients early in the program, maintaining full engagement, preventing recipients from becoming sanctioned, and encouraging sanctioned individuals to re-engage in the program.
- Modify the Safety Net Program—This proposal rewards working families by continuing safety net benefits for families beyond their 60-month time limit if they meet federal work participation requirements. The current safety net program minimizes the incentive for families to become self-sufficient.
- Ensure Consistent Child-Only Benefits – This proposal provides cash aid for families receiving child-only benefits that are consistent with other CalWORKs families. Under this proposal, aid to families receiving child-only benefits will be limited to 60 months. These families

include parents or caretakers who are undocumented non-citizens, drug felons, or fleeing felons.

These reform measures are estimated to provide net savings of \$73.7 million General Fund in 2007-08 and \$476 million (\$389.1 million General Fund) in 2008-09. With these reforms, the Governor's Budget proposes to maintain the \$230 million included in the Budget Acts of 2006 and 2007 to support CalWORKs program improvements, including \$90 million for counties to implement program improvements that lead to better outcomes and increased work participation rates for CalWORKs recipients and \$140 million to support county administration. The Governor's Budget eliminates \$40 million in Pay for Performance incentive funds in 2007-08, but makes available \$40 million in 2008-09 for those counties that achieve improved program outcomes during 2007-08. The combination of CalWORKs reforms and state and county efforts will position the state and counties to increase work participation rates, meet federal requirements, avoid penalties, and successfully move families from welfare to work.

SUPPLEMENTAL SECURITY INCOME/ STATE SUPPLEMENTARY PAYMENT

The federal Supplemental Security Income (SSI) program provides a monthly cash benefit to eligible aged, blind, and disabled persons who meet the program's income and resource requirements. In California, the SSI payment is augmented with a State Supplementary Payment (SSP) grant. These cash grants assist recipients with basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility

determinations, grant computations, and issuing combined monthly checks to recipients.

The Governor's Budget proposes \$3.7 billion General Fund for the SSI/SSP program in 2008-09. This represents a 2.9-percent increase from the revised 2007-08 budget. The caseload in this program is estimated to be 1.3 million recipients in 2008-09, a 2.1-percent increase over the 2007-08 projected level. The SSI/SSP caseload consists of 30 percent aged, 2 percent blind and 68 percent disabled persons. In January 2008, SSI/SSP monthly payments for aged and disabled individuals increased from \$856 to \$870, and monthly payments for aged and disabled couples increased from \$1,502 to \$1,524. In January 2009, the monthly payment for aged and disabled individuals is estimated to further increase to \$881, while the monthly payment for aged and disabled couples is estimated to further increase to \$1,540.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides support services, such as house cleaning, transportation, personal care services, and respite care to eligible low-income aged, blind, and disabled persons. These services are provided in an effort to allow individuals to remain safely in their homes and prevent institutionalization.

The Governor's Budget proposes \$1.6 billion General Fund for the IHSS program. The average monthly caseload in this program is estimated to be 407,900 recipients in 2008-09, a 4.6-percent increase over the 2007-08 projected level.

Total IHSS expenditures continue to grow much faster than IHSS caseload. Absent the reductions below, General Fund

HEALTH AND HUMAN SERVICES

expenditures for the IHSS program are projected to have grown by approximately 194 percent from 1999-00 to 2008-09, while caseload is estimated to have grown by less than 80.5 percent during the same period.

The proposed IHSS program budget-balancing reductions include \$361 million (\$119.6 million General Fund) in 2008-09. This is realized from an across-the-board reduction in service hours for non-medical domestic and related services to IHSS recipients. These services include meal preparation, meal clean-up, laundry, food shopping, and errands. In addition, county administrative funding would be reduced, along with a corresponding reduction in county workload. Specifically, the Administration proposes to change the timeframe for re-assessing the condition of IHSS recipients from every 12 months to every 18 months. These reductions should not impede the IHSS recipients' ability to remain safely in their own homes and avoid institutionalization.

CHILD WELFARE SERVICES

The child welfare system in California provides a continuum of services through Child Welfare Services (CWS), Child Abuse Prevention, Foster Care, Adoption Assistance, and adoptions to children who are either at risk of or have suffered abuse and neglect. The Governor's Budget includes \$4 billion (\$1.6 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a \$151.3 million (\$95.9 million General Fund), or 3.6 percent, decrease from the revised 2007-08 budget.

CWS has evolved into an outcome-focused program with the implementation of the federal Child and Family Services Review and the California Outcome and Accountability System.

These protocols establish a comprehensive process to measure program performance and track improvement in California's child welfare services delivery system. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served.

COMMUNITY CARE LICENSING

The Community Care Licensing program directly licenses and monitors approximately 75,000 community care facilities and provides oversight, direction, and training to counties that license approximately 11,000 additional facilities. These facilities include child daycare, children's residential, and elderly residential and day support facilities and serve approximately 1.4 million clients statewide. The Governor's Budget includes \$118.2 million (\$37.3 million General Fund) in 2008-09 for licensing activities that promote the health, safety, and quality of life of each person in community care facilities. This is a \$1.7 million (\$1.3 million General Fund) increase from the revised 2007-08 budget.

This page is purposefully blank to facilitate duplex printing.