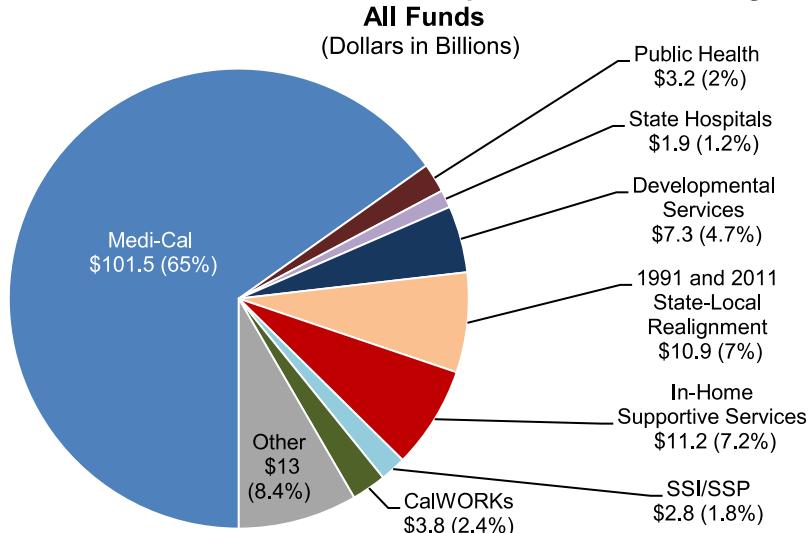


HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents. The Budget includes \$155.7 billion (\$37.4 billion General Fund and \$118.3 billion other funds) for all health and human services programs. Figure HHS-01 displays expenditures for each major program area and Figure HHS-02 displays program caseload.

Figure HHS-01
Health and Human Services Proposed 2018-19 Funding^{1/}



^{1/}Totals \$155.7 billion for support, local assistance, and capital outlay. This figure includes reimbursements of \$13.1 billion and excludes \$2.5 million in Proposition 98 funding in the Department of Developmental Services budget and county funds that do not flow through the state budget.

Note: Numbers may not add due to rounding.

Figure HHS-02
Major Health and Human Services Program Caseloads

	2017-18 Revised	2018-19 Estimate	Change
Medi-Cal	13,469,400	13,475,700	6,300
California Children's Services (CCS) ^{1/}	15,621	15,621	0
CalWORKs	425,855	400,777	-25,078
CalFresh	1,699,980	1,637,152	-62,828
SSI/SSP (support for aged, blind, and disabled)	1,264,919	1,264,275	-644
Child Welfare Services ^{2/}	118,580	119,053	473
Foster Care	41,530	41,530	0
Adoption Assistance	85,972	86,329	357
In-Home Supportive Services	518,511	545,180	26,669
Regional Centers	317,837	333,024	15,187
State Hospitals ^{3/}	6,482	6,828	346
Developmental Centers ^{4/}	537	361	-176
Vocational Rehabilitation	27,962	27,962	0

^{1/} Represents unduplicated quarterly caseload in the CCS Program. Does not include Medi-Cal CCS clients.
^{2/} 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.
^{3/} Represents the year-end population.
^{4/} Represents average in-center population as of January 31 each year.

FEDERAL UNCERTAINTY

The federal administration and leaders in Congress continue to consider and propose numerous changes to health and human services programs. Many of the proposals could have far-reaching impacts on health care in California with significant impacts to Medicaid (Medi-Cal in California). Medi-Cal is a federal program that provides comprehensive health care to nearly 13.5 million Californians. Recent Medicaid proposals have included reductions to federal funding for the Affordable Care Act's (ACA) expansion population, a block grant structure for Medicaid programs, capped per-beneficiary allotments to states, tax credits to enroll Medicaid beneficiaries in private insurance, and creation of high-deductible plans for the Medicaid program combined with health savings accounts. It is not clear whether changes will ultimately be approved or when they would take effect. As such, the Budget continues to reflect existing state and federal law. A complete repeal of the ACA, without a companion replacement program, would not only affect millions of Californians' health benefits and the state and local health care delivery system, but would also disrupt the private insurance market.

The ACA also required individuals to buy health insurance or pay a tax penalty as an incentive for younger and healthier people to sign up for health care and make it more affordable. Covered California, the state's health insurance marketplace, has provided individual health insurance through private plans supported by federally funded tax subsidies and products for individuals and small businesses since 2014. It is a self-sustaining entity funded through fees

assessed on the participating health plans. The federal tax reform bill, passed in December 2017, eliminated penalties for the individual mandate starting in 2019. Repeal of the individual mandate may result in disruptions to the health care market in California.

Effective October 1, 2015 through September 30, 2019, the ACA increased the federal share of cost for the Children's Health Insurance Program (CHIP) from the historical rate of 65 percent to 88 percent. However, the federal funding was only appropriated through September 2017. The ACA requires California to continue coverage for most of the children currently under CHIP through September 2019, but absent congressional reauthorization, the state would receive only a 50-percent federal share for this population. Congress passed legislation in late December 2017 to temporarily fund CHIP at 88 percent through early 2018. Due to this late action, the Budget reflects an 88-percent federal share only through December 31, 2017, and 65 percent as of January 1, 2018. This is consistent with the 2017 Budget Act's assumption. The May Revision will, at a minimum, include savings of approximately \$150 million General Fund to reflect temporary federal funding authorized after the Budget was finalized. Coverage for approximately 32,000 pregnant women and children is at risk if CHIP funding is not provided beyond March 2018 because they do not qualify for federally funded, full-scope Medi-Cal.

In addition, other recent federal proposals have included reductions in funding for other health and human services programs including the Social Services Block Grant, Promoting Safe and Stable Families, and Preventive Health and Health Services Block Grant Fund. The effect of the changes being considered by the federal administration are unknown but could have a significant fiscal impact on the state budget.

HEALTH AND HUMAN SERVICES MAJOR CHANGES

Since 2011, there have been many changes in the programs that provide a safety net for California's vulnerable children, adults, and seniors. The provision of health care was expanded significantly, increasing the number of individuals receiving coverage through Medi-Cal and CHIP from 8.5 million to nearly 13.5 million. This increase includes the expansion of full medical coverage to undocumented children. In addition, 1.3 million people receive medical coverage through Covered California.

Many of the program reductions from the Great Recession have been restored, including most optional benefits in the Medi-Cal program, such as dental benefits for adults and enteral nutrition, as well as funding for the Department of Social Services to increase the frequency of licensed community care facility inspections. Targeted increases have also been made to provide cost-of-living increases for CalWORKs and the Supplemental Security Income/State Supplementary Payment (SSI/SSP). In addition, the CalWORKs maximum family grant rule was repealed.

The focus for many of these programs has also shifted to improve the lives of those that receive services. For example, the CalWORKs program emphasizes employment and now provides greater flexibility for participants to meet program requirements during the first 24 months of welfare-to-work participation by: (1) providing funding for family stabilization to remove barriers to employment, (2) expanding the number of child care slots, and (3) increasing child care provider rates. These programmatic changes have allowed the state to meet federal work participation requirements—avoiding over \$1.1 billion in potential penalties. In foster care, the state began the Continuum of Care Reform to improve assessments of children and families for placement considerations, with an emphasis on home-based, family care placements with supportive services rather than group home care placements. Similarly, the state announced the planned closure of three remaining developmental centers: Sonoma, Fairview and the general treatment area of Porterville, and instead will focus on providing services to these individuals in community-based residential settings.

Another focus has been the integration of physical and behavioral health. With the elimination of the Department of Mental Health and the Department of Alcohol and Drug Programs, oversight of county-operated community behavioral health programs shifted to the Department of Health Care Services. This transition encouraged programs to work together to address a person's whole health—physical health, behavioral health, and substance use disorders. In addition, substance use services have been expanded in Drug Medi-Cal and at the county level as part of the Organized Delivery System Waiver.

Finally, the tax structure enacted in 2016 for managed care plans provides net statewide revenues totaling nearly \$1.4 billion in 2018-19. This allows additional funding to be used to provide developmental services provider rate increases and other program investments, which will total \$297.6 million in 2018-19. These funds also allowed for restoration of a 7-percent reduction (\$302 million) in hours in the In-Home Supportive Services program (IHSS), and provided the nonfederal share of Medi-Cal managed care rates for health care services provided to children, adults, seniors, persons with disabilities, and persons eligible for both Medi-Cal and Medicare. This tax structure is authorized through June 30, 2019.

TOBACCO TAX INCREASE (PROPOSITION 56)

The California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56) raises the tax on cigarettes from \$0.87 to \$2.87 per pack and expands this tax to electronic cigarettes. Proposition 56 requires specified backfills for Proposition 99, Proposition 10, the Breast Cancer Fund, and to state and local governments to offset tax revenue decreases

resulting from the additional tax. After backfills, remaining funds are allocated pursuant to a specified formula, including 82 percent of the funds for transfer to the Healthcare Treatment Fund for Medi-Cal provider payments and growth in the Medi-Cal program compared to the 2016 Budget Act.

Updated revenues from this tax increase for 2017-18, which include one quarter of 2016-17 revenues and backfill amounts, are nearly \$1.9 billion. Estimated revenues for 2018-19 are \$1.3 billion. After backfills of \$125.8 million and other allocations outlined in Figure HHS-03, the Budget includes health care treatment expenditures totaling \$850.9 million. Specifically, the Budget allocates \$649.9 million in 2018-19, an increase of \$232.8 million, for supplemental payments and rate increases based on those approved in the 2017 budget package. Of the increased amount, approximately \$163 million is for physician payments and \$70 million is for dental payments. In the current year, supplemental payments for physicians and dental providers are applied statewide to specified procedures frequently performed by these providers, with the objective of increasing provider participation and quality of care. To the extent these supplemental payments are not demonstrating the intent of the initiative—increasing the number of Medi-Cal providers or the proportion of Medi-Cal clients served—the Administration will work with the Legislature to modify the supplemental payments to better promote the goals of the initiative. The Budget also includes \$169.4 million in 2018-19 to support new growth in Medi-Cal compared to the 2016 Budget Act. Finally, the Budget includes \$64.5 million (\$31.6 million Proposition 56 funds) for a 50-percent rate increase and associated increases in utilization for home health providers that provide medically necessary, in-home services to children and adults in the fee-for-service system or through the home and community-based services waivers. The rate increase is proposed to be effective July 1, 2018.

Figure HHS-03
Proposition 56 Expenditures
(Dollars in Millions)

Investment Category	Department	Program	2018-19 Governor's Budget
Enforcement	Department of Justice	Local Law Enforcement Grants ^{1/}	\$30.0
	Department of Justice	Distribution and Retail Sale Enforcement ^{1/}	\$6.0
	Board of Equalization	Distribution and Retail Sales Tax Enforcement ^{1/}	\$6.0
	Department of Public Health	Law Enforcement ^{1/}	\$6.0
Education, Prevention, and Research	University of California	Cigarette and Tobacco Products Surtax Medical Research Program	\$57.0
	University of California	Graduate Medical Education ^{1/}	\$40.0
	Department of Public Health	State Dental Program ^{1/}	\$30.0
	Department of Public Health	Tobacco Prevention and Control	\$125.9
	Department of Education	School Programs	\$22.2
Health Care	Department of Health Care Services	Health Care Treatment	\$850.9
Administration and Oversight	State Auditor	Financial Audits	\$0.4
	Board of Equalization	Sales and Use Tax	\$1.3
Revenue Backfills	Proposition 99, Breast Cancer Research Fund, Proposition 10, and General Fund		\$125.8
Total			\$1,301.5

^{1/} Annual amount specified in statute.

DEPARTMENT OF HEALTH CARE SERVICES

The Medi-Cal program is administered by the Department of Health Care Services. Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates basic services, including: physician services; family nurse practitioner services; nursing facility services; hospital inpatient and outpatient services; laboratory and radiology services; family planning; and early and periodic screening, diagnosis, and treatment services for children. In addition to these mandatory services, the state provides optional benefits such as outpatient drugs, dental, home and community-based services, and medical equipment. The Department also operates the California Children's Services and the Primary and Rural Health programs, and oversees county-operated community mental health and substance use disorder programs.

Since 2012-13, Medical General Fund costs have grown at an average rate of approximately 6 percent annually to \$20.1 billion in 2017-18 due to a combination of health care cost inflation, program expansions, and caseload growth. With the passage of Proposition 56, growth in the Medi-Cal program in 2017-18 and 2018-19 is partially funded from this tax. After accounting for Proposition 56 funds, Medi-Cal General Fund spending is projected to increase 11 percent from \$19.5 billion at the 2017 Budget Act to \$21.6 billion in 2018-19.

The Budget assumes that caseload will decrease approximately 0.5 percent from 2016-17 to 2017-18 and increase 0.05 percent from 2017-18 to 2018-19. Medi-Cal is projected to cover nearly 13.5 million Californians in 2018-19.

Significant Adjustments:

- Current Year Costs—The Budget reflects increased expenditures in the Medi-Cal program of approximately \$543.7 million General Fund compared to the 2017 Budget Act. The current year increase is attributable primarily to retroactive payments of drug rebates to the federal government and a higher estimate of Medi-Cal managed care costs.
- ACA Optional Expansion—As of January 1, 2018, the state's cost-sharing ratio for the ACA optional Medi-Cal expansion population will increase to 6 percent, and by 2020 the state's share will be 10 percent based upon current federal law. The Budget assumes costs of \$17.7 billion (\$1.4 billion General Fund) in 2017-18 and \$22.9 billion (\$1.6 billion General Fund) in 2018-19 for the 3.9 million Californians in the optional Medi-Cal expansion.

- Medi-Cal County Administration—Chapter 244, Statutes of 2013 (SB 28), required the Department to develop and implement a new budgeting methodology for Medi-Cal county administration base costs. However, the Department was unable to procure a qualified vendor due to limited responses to the request for proposal. As an interim methodology, the Budget proposes an increase of \$54.8 million (\$18.5 million General Fund) in 2018-19 based on an adjustment to the existing funding level using the increase in the California Consumer Price Index. A similar increase will be applied for two years as the county eligibility systems move to a single Statewide Automated Welfare System. The Department will work with the County Welfare Directors Association to improve processing of eligibility determinations and annual redeterminations, correct beneficiary aid codes, and produce timely data and reports.
- Restrict 340B Drug Reimbursement within the Medi-Cal Program—The Budget proposes to restrict the use of federal 340B Drug Pricing Program reimbursements within the Medi-Cal program, effective July 1, 2019. The proposal allows the state to comply with existing federal requirements, helps protect program integrity, prevents unnecessary overpayments, collects additional drug rebates, and mitigates the amount of time and resources expended to resolve drug rebate disputes related to 340B claims.

2011 REALIGNMENT FUNDING

To provide services more efficiently and effectively, 2011 Realignment shifted responsibility and dedicated funding for public safety services to local governments. In addition, community mental health programs previously funded in 1991 Realignment are now funded primarily by revenue dedicated for 2011 Realignment.

Figure HHS-04 identifies the programs and funding for 2011 Realignment, which are funded through two sources: a state special fund sales tax rate of 1.0625 percent totaling \$7.3 billion, and \$699.6 million in Vehicle License Fees. These funds are deposited into the Local Revenue Fund 2011 for allocation to the counties and are constitutionally guaranteed for the purposes of 2011 Realignment.

Figure HHS-04
2011 Realignment Estimate at 2018-19 Governor's Budget
(Dollars in Millions)

	2016-17	2016-17 Growth	2017-18	2017-18 Growth	2018-19	2018-19 Growth
Law Enforcement Services	\$2,361.2		\$2,467.3		\$2,579.6	
Trial Court Security Subaccount	539.7	\$10.6	550.3	\$11.2	561.6	\$10.9
Enhancing Law Enforcement Activities Subaccount ^{1/}	489.9	155.9	489.9	201.4	489.9	209.7
Community Corrections Subaccount	1,161.6	79.4	1,241.1	84.3	1,325.3	81.5
District Attorney and Public Defender Subaccount	27.9	5.3	33.3	5.6	38.9	5.4
Juvenile Justice Subaccount	142.1	10.6	152.7	11.2	163.9	10.9
<i>Youthful Offender Block Grant Special Account</i>	(134.3)	(10.0)	(144.3)	(10.6)	(154.9)	(10.3)
<i>Juvenile Reentry Grant Special Account</i>	(7.8)	(0.6)	(8.4)	(0.6)	(9.0)	(0.6)
Growth, Law Enforcement Services		261.8		313.7		318.4
Mental Health^{2/}	1,120.6	9.8	1,120.6	10.4	1,120.6	10.1
Support Services	3,404.9		3,591.7		3,789.9	
Protective Services Subaccount	2,169.5	88.5	2,258.0	93.9	2,351.9	90.9
Behavioral Health Subaccount	1,235.4	98.4	1,333.7	104.3	1,438.0	101.0
<i>Women and Children's Residential Treatment Services</i>	(5.1)	-	(5.1)	-	(5.1)	-
Growth, Support Services		196.7		208.6		202.0
Account Total and Growth	\$7,345.2		\$7,701.9		\$8,010.5	
Revenue						
1.0625% Sales Tax	6,699.5		7,010.6		7,310.9	
Motor Vehicle License Fee	645.8		691.3		699.6	
Revenue Total	\$7,345.3		\$7,701.9		\$8,010.5	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

^{1/} Base Allocation is capped at \$489.9 million. Growth does not add to the base.

^{2/} Base Allocation is capped at \$1,120.6 million. Growth does not add to the base.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include CalWORKs, CalFresh, IHSS, Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare Services, Community Care Licensing, and Disability Determination. The Budget includes \$24.2 billion (\$8.6 billion General Fund) for DSS in 2018-19.

Significant Adjustments:

- Continuum of Care Reform—The Budget includes \$238.2 million (\$179.7 million General Fund) to continue implementation of Continuum of Care reforms. This funding reflects ongoing support for child and family teams, approval of resource families, and family retention, recruitment, and support. While significant progress has been made with the transition of foster youth from group homes to Short-Term Residential Therapeutic Programs beginning January 1, 2017, assumptions on caseload movement were revised to more accurately reflect the pace of implementation. In 2018-19, county child welfare and probation departments will be working to increase the availability of home-based family care and determining the local need for Short-Term Residential Therapeutic Programs as group home licenses expire and residential congregate care placements decline.
- Minimum Wage Increase—The Budget includes an increase in IHSS expenditures of \$260.3 million (\$119.4 million General Fund) and a decrease in CalWORKs expenditures of \$1.2 million General Fund to reflect the impact of the increase in the state minimum hourly wage from \$11.00 to \$12.00, effective January 1, 2019.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services so that families may become self-sufficient. Eligibility requirements and benefit levels are established by the state. Counties have flexibility in program design, services, and funding to meet local needs.

Total TANF expenditures are \$7.4 billion (State, Local, and Federal Funds) in 2018-19. The amount budgeted includes \$5.1 billion for the CalWORKs program expenditures and \$2.3 billion in other programs. Other programs primarily include expenditures for Cal Grants, Department of Education Child Care, Child Welfare Services, Foster Care, Department of Developmental Services programs, the Statewide Automated Welfare System, Work Incentive Nutritional Supplement, California Community Colleges Child Care and Education Services, and the Department of Child Support Services. Average monthly CalWORKs caseload is estimated to be 401,000 families in 2018-19, an 11-percent decrease from the 2017 Budget Act projection. Due to an improving economy, caseload has decreased every year from a recent peak of 587,000 in 2010-11.

Significant Adjustments:

- Home Visiting Initiative—The Budget includes \$26.7 million for a voluntary Home Visiting pilot program, which will continue through 2021 for young, first-time parents in the CalWORKs program. The goal of the home visiting pilot is to help young families reach self-sufficiency by improving family engagement practices; supporting healthy development of young children living in poverty; and preparing parents for employment. The pilot will leverage existing, evidence-based program models currently being implemented across the state. Home visitors will help parents navigate and connect to resources in the CalWORKs program and other available services, and report case progress and outcomes to the county. The Department will work with counties to establish the outcome measures of the pilot so the initiative can be evaluated for effectiveness. A total of \$158.5 million in one-time TANF funds is being reserved for the pilot's total costs through calendar year 2021.
- Single Allocation Methodology—The Budget includes a one-time augmentation of \$187 million for the county single allocation until a revised budgeting methodology is adopted to address the cyclical nature of the caseload changes and impacts to county services. The Administration will continue to work with representatives of counties and the County Welfare Directors Association to develop recommendations for revising the single allocation budgeting methodology by the May Revision.
- County Indigent Health Savings—County savings related to federal health care reform are estimated to be \$657.1 million in 2017-18 and \$530.5 million in 2018-19. The Budget also includes a one-time General Fund decrease of \$231.2 million in the CalWORKs program resulting from additional 2015-16 county savings. These savings are partially offset by \$23.2 million in costs reflected in the Department of Health Care Services budget. Actual statewide indigent health savings were higher than previously estimated based on the preliminary reconciliation of 2015-16, and the Budget assumes reimbursement of this amount from the counties in 2018-19. The estimated savings will be updated in the May Revision using audited data from the counties. Pursuant to current law, these additional county savings are redirected to the CalWORKs program to offset General Fund costs.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework, transportation, and personal care services to eligible low-income aged, blind, and disabled persons. These services are provided to assist individuals to remain safely in their homes and prevent more costly institutionalization.

The Budget includes \$11.2 billion (\$3.6 billion General Fund) for the IHSS program in 2018-19, a 7.7-percent increase in General Fund costs over the revised 2017-18 level. Average monthly caseload in this program is estimated to be 545,000 recipients in 2018-19, a 5.4-percent increase from the 2017 Budget Act projection. General Fund costs in this program have more than doubled since 2010-11, while caseload has increased 26 percent.

Significant Adjustments:

- IHSS Administration—The Budget includes an increase of \$27.8 million General Fund in 2018-19 for county IHSS administrative costs to reflect revised workload and budget assumptions. The new budgeting methodology estimates the average number of cases a social worker can manage for statutorily-required activities, including the federal Fair Labor Standards Act overtime regulations. The workload and budget assumptions will be reexamined as part of the 2020-21 budget.
- IHSS Provider Paid Sick Leave—The Budget includes \$29.9 million General Fund to reflect implementation of eight paid sick leave hours for IHSS providers beginning on July 1, 2018.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT

The federal 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 an 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, computing grants, and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants (CAPI) provides monthly cash benefits to aged, blind, and disabled legal noncitizens who are ineligible for SSI/SSP due solely to their immigration status.

The Budget includes \$2.8 billion General Fund for the SSI/SSP program. This represents a 1.2-percent decrease (\$34.9 million) from the revised 2017-18 budget. The average monthly caseload in this program is estimated to be 1.3 million recipients in 2018-19, a slight decrease from the 2017-18 projection. The SSI/SSP caseload consists of 70 percent disabled persons, 28.6 percent aged, and 1.4 percent blind.

Effective January 2018, maximum SSI/SSP grant levels are \$910 per month for individuals and \$1,532 per month for couples. The federal cost of living adjustments based on the current Consumer Price Index growth factors are 2 percent for 2018 and a projected 2.6 percent for 2019. As a result, the maximum SSI/SSP monthly grant levels will increase by approximately

\$20 and \$29 for individuals and couples, respectively, effective January 2019. CAPI benefits are equivalent to SSI/SSP benefits, less \$10 per month for individuals and \$20 per month for couples.

DEPARTMENT OF STATE HOSPITALS

The Department of State Hospitals administers the state mental health hospital system, the Forensic Conditional Release Program, the Sex Offender Commitment Program, and the evaluation and treatment of judicially and civilly committed patients. The Budget includes \$1.9 billion (\$1.8 billion General Fund) for support of the Department. The patient population is expected to reach 6,828 in 2018-19.

INCOMPETENT TO STAND TRIAL ADMISSIONS

The Department continues to experience a significant increase in the number of Incompetent to Stand Trial (IST) admission referrals from local courts, with annual referrals growing by approximately 33 percent since 2013-14. The Department has responded to this over the past three years by activating 418 inpatient beds and maximizing the use of available bed capacity in the state hospital system. Additionally, State Hospitals contracts with several counties to operate 200 jail-based competency restoration beds, with an additional 107 beds expected to be available in early 2018. Despite these efforts, referrals continue to outpace capacity, with the IST pending placement list of approximately 840 individuals as of early December 2017 compared to 600 in December 2016.

To help address this need, the Budget proposes \$117.3 million (\$114.8 million General Fund) to further develop the state-county partnership to address the growing number of IST commitments referred to the Department. Nearly \$100 million General Fund will be available over three years for community alternatives to increase diversion of mentally ill offenders and decrease county IST referrals to state hospitals. The goal is to strengthen existing local mental health treatment efforts, develop or enhance robust diversion programs, and reduce IST referrals by up to 30 percent.

The program will focus on diverting individuals with mental illness who have committed felony crimes, to prevent entry or reentry into the criminal justice system. The program will prioritize contracts with the 15 counties that have the majority of IST referrals to develop and expand diversion programs to support up to 640 placements. These funds will also be used for up to 60 additional community placements in other counties.

As part of this effort, the Budget also includes \$14.8 million General Fund to support a partnership with Los Angeles County for up to 150 IST patients, supporting three levels of treatment options in community settings. These community placements, in addition to the diversion efforts, will help the Department address the largest IST county referral population.

The Budget includes \$2.5 million a year from Mental Health Services Act funds for the Mental Health Services and Accountability Commission to provide two years of consulting services to assist counties in developing Innovation Plans that incorporate ways to leverage and coordinate diversion programs to address IST populations.

In addition to the efforts noted above, the Department of State Hospitals continues to work with counties to identify other opportunities for collaboration, efficiencies, and approaches in treating IST patients. The Department is also open to exploring opportunities for joint-use facilities that would provide services to both State Hospital patients and appropriate jail populations.

Significant Adjustments:

- Metropolitan State Hospital Bed Expansion—The Budget includes \$53.1 million General Fund and 346.1 positions to activate an additional 236 secured, forensic beds at Metropolitan State Hospital.
- Jail-Based Competency Treatment Beds—The Budget includes \$16.1 million General Fund to allow the Department to contract for up to 159 jail-based competency treatment program beds through existing and new county jail treatment programs.
- Coalinga State Hospital Mentally Disordered Offender Bed Activation—The Budget includes \$11.5 million General Fund and 81.2 positions for the activation of 80 Mentally Disordered Offender beds at Coalinga State Hospital to offset bed reductions associated with the conversion of units for the Enhanced Treatment Program. The proposed beds will be filled with existing Mentally Disordered Offender patients from other state hospitals, which will free up beds to accommodate IST referrals.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services provides individuals with developmental disabilities a variety of services that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement. The state is in the process of closing all state-operated developmental centers, except for the secure treatment area at the Porterville Developmental Center and the Canyon

Springs community facility. By the end of 2018-19, the Department estimates it will be providing community services to approximately 333,000 individuals with developmental disabilities. In the developmental centers, the estimated population, as of July 1, 2018, is 547 residents. The population is expected to decrease to 361 residents by June 30, 2019, as additional residents transition to receiving services through the regional centers. The Budget includes \$7.3 billion (\$4.4 billion General Fund) for support of developmental services.

DEVELOPMENTAL CENTER CLOSURES

In 2015, the Administration announced the planned closure of the three remaining developmental centers: Sonoma, Fairview and the general treatment area of Porterville. Sonoma is scheduled to close in December 2018 and no longer receives federal funding for its intermediate care facility units. On July 1, 2016, the Department entered into settlement agreements with the federal Centers for Medicare and Medicaid Services to continue federal funding for individuals residing at Fairview and the general treatment area at Porterville through 2020-21. The Department's ongoing compliance with the provisions of the settlement agreements will allow the continued receipt of federal funding for intermediate care facility units at both centers. The Budget assumes federal funding will continue for both Fairview and Porterville.

REGIONAL CENTER SERVICES

Regional centers provide intake, assessment, eligibility determination, resource development, and case management services. The centers also work with the thousands of businesses and individuals providing developmental services in the community. The regional center budget reflects costs of \$3.8 billion General Fund in 2017-18 and \$4.1 billion General Fund in 2018-19, a year-over-year increase of \$319.6 million General Fund. A significant portion of the increase, \$97.6 million General Fund, is attributable to the increasing state minimum wage.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people in California. The Budget includes \$3.2 billion (\$137.9 million General Fund) in 2018-19 for the Department.

The Department regulates many types of health care facilities and entities in the state. Currently, the Department contracts with the Los Angeles County Department of Public Health to regulate certain health care entities located in Los Angeles County. The Department and Los Angeles County are developing a comprehensive contract for the County to conduct 100 percent of the regulatory work within Los Angeles, beginning in 2019-20.

This contract would include pay-for-performance metrics, such as quantity, quality, and service, and is anticipated to cost more than the current contract, which only covers a portion of the workload in Los Angeles County. To reflect the higher cost of doing business in Los Angeles County, the Department will assess and apply a supplemental fee to its regulated health care entities located in Los Angeles County beginning in 2018-19. The Budget proposes statutory language to assess this supplemental fee, which will be based on the additional cost necessary to administer and enforce licensing and certification services to these health care entities located in Los Angeles County.

OTHER HEALTH AND HUMAN SERVICES

The Budget also includes the following significant adjustment:

- Chapter 52, Statutes of 2017 (SB 97), increased the minimum number of direct care services hours in skilled nursing facilities from 3.2 to 3.5 hours per patient day, effective July 1, 2018. It also specifies that a minimum of 2.4 hours per patient day must be provided by certified nurse assistants. The Budget includes \$4.5 million in 2018-19 to support the expansion of training slots for the certified nursing assistant workforce to support facilities in meeting this requirement. This includes one-time funding of \$2 million (Proposition 98 General Fund) from the Strong Workforce Program and \$2.5 million from existing training programs within the Employment Development Department.