CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY

2006-2007 Budget Proposal Summary

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California Health & Human Services Agency

Health and Human Services Agency (HHSA)
2006-07 Budget Proposal Summary

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The HHSA Budget Proposal Summary is also available at www.chhs.ca.gov.

Health and Human Services Agency
Overview

The Health and Human Services Agency (HHSA) oversees 11 departments and one board that provide essential services to many of California's most at-risk residents. HHSA departments accomplish their missions by administering state and federal programs for health care, social services, public assistance and rehabilitation, including Medi-Cal, California Work Opportunity and Responsibility to Kids (CalWORKs) and regional centers. Responsibility for administering major programs is divided among:

- Aging
- Alcohol and Drug Programs
- Child Support Services
- Community Services and Development
- Developmental Services
- Emergency Medical Services Authority
- Health Services
- Managed Risk Medical Insurance Board
- Mental Health
- Rehabilitation
- Social Services
- Office of Statewide Health Planning and Development

For the 2006-07 fiscal year, expenditures proposed for all HHSA budgets total $73.1 billion in combined state and federal funds ($28.4 billion General Fund). More than 33,600 state employees make up the HHSA family.

The 2006-07 proposed totals exceed the total 2005-06 budget by $1.8 billion, which is an increase of less than 3 percent. Of the $1.2 billion General Fund increase, $117.4 million is proposed for critical policy initiatives.

Health and Human Services Initiatives

Few areas of state government touch the lives of California residents so directly and personally as the programs, services and activities of HHSA. HHSA programs provide access to short- and long-term services and supports that promote the health, well-being and independent living of the state's most vulnerable children, adults and families. As the state population continues to grow and diversify, a strong and responsible safety net must be maintained that is responsive to the needs of at-risk residents. At the same time, programs and services must be structured and delivered to promote improved outcomes as cost-effectively and efficiently as possible.

In its development of the 2006-07 Governor's Budget for HHSA, the Administration was guided by an overall vision for health and human services:

- Residents are protected against and prepared for natural and intentional disasters.
- Californians have access to affordable health care coverage.
- Children are raised in safer, more stable and permanent homes.
- Californians make healthier food choices and live active lives.
- Seniors and persons with disabilities live in the most integrated appropriate community setting.

While this broad vision will not be achieved overnight, progress can be made through targeted strategies reflecting important priorities. Toward that end, the Administration is proposing policy and budget recommendations that will strengthen the state's capacity to prepare for and respond to emergencies, ensure more children are enrolled in no- and low-cost health coverage programs, support improved outcomes for foster care children, continue nation-leading efforts to reverse obesity trends and better link the needs of seniors and persons with disabilities to appropriate services. In addition, to protect the health and safety of residents served by facilities licensed by HHSA departments, the Governor's Budget proposes initial activities of a comprehensive multi-year licensing reform effort.

Emergency Response and Preparedness

The world has been devastated by recent disasters, such as Hurricane Katrina, the Pakistani earthquake and the Southeast Asian tsunami. Other looming threats, including bioterrorism and the possibility of an influenza pandemic, underscore California's need to be optimally prepared. While a disaster or disease outbreak cannot always be prevented, its impact can be limited and lives can be saved through effective emergency preparedness and response. Governor Schwarzenegger recognizes that being prepared to prevent and respond to disasters is the responsibility of all Californians – employers, schools, communities, families and individuals - and government must play a key role.

At the state and local government levels, public health is on the front lines, whether it faces a flood, earthquake, disease outbreak or bioterrorism attack. Public health is responsible for addressing health-related threats from infectious agents, such as anthrax, or other harmful materials; ensuring food and water safety; mass immunizations; and disseminating preventive medications. Protecting public health in a disaster event or disease outbreak requires prevention efforts, planning, exercises, strong surveillance and early detection and a flexible health care delivery system that can meet increased demand for services.

National and state experts, including the Centers for Disease Control and Prevention, the Trust for America's Health and the Little Hoover Commission, have examined California's emergency preparedness efforts and readiness to respond to a public health disaster. California has been recognized for having many of the essential tools needed to respond to natural or man-made disasters or disease outbreaks, including nationally renowned state laboratories, a new state-of-the-art public health Emergency Operations Center, an emergency communications system that can immediately contact public health officials statewide, a model risk communications program and comprehensive laws to prevent or control the spread of disease. However, continued improvements are needed in the areas of laboratory staffing and resources, infrastructure to respond to a radiological or chemical disaster, surge capacity throughout the health care delivery system, disease surveillance and reporting and preparation for a possible influenza pandemic.

Governor Schwarzenegger considers emergency preparedness a top priority and is committed to ensuring California is as safe and prepared as possible. Consistent with his commitment to make California better prepared, as part of his overarching emergency preparedness initiative, the Governor's Budget includes an increase of $49 million ($47.3 million General Fund) to bolster state and local public health capacity to prevent and respond to disease outbreaks and natural or intentional disasters. To address the immediate need to enhance preparedness, especially in the area of pandemic influenza, the Governor's Budget recommends $11.7 million ($11 million General Fund) in the current year. Recognizing the front line responsibilities of local health departments, current year funding will bolster local health preparedness and response capabilities. In addition, current year resources will allow the state to

purchase antiviral medications, increase laboratory capacity, strengthen state disease surveillance and enhance public outreach and education. Combined, the current and budget year proposed investments substantially enhance the key components of public health emergency preparedness and response, including planning, disease surveillance, prevention and response, risk communication and building surge capacity.

In addition to making California better prepared to address pandemic influenza, the proposed resources will have lasting benefits for public health and California's ability to prevent or respond to disasters or outbreaks.

Bolstering State and Local Preparedness for Pandemic Influenza and Disease Outbreaks

An avian influenza pandemic could be the biggest public health challenge of our time. The World Health Organization and other experts warn that the threat of pandemic influenza from avian influenza A (H5N1) will have devastating consequences that extend beyond health and medical systems into every sector of society.

Given multiple international ports of entry and frequent traffic from Asia, California may be one of the first states impacted by an influenza pandemic. Conservative estimates indicate that at least 11,000 travelers from Southeast Asia arrive via direct flights each day in California. California's public health infrastructure provides a strong base for its work on pandemic influenza. Much has been done and much remains to be done.

The Governor's Budget provides $27.6 million to strengthen state and local pandemic influenza planning and response efforts.

- Assist local agencies in developing avian influenza preparedness and response plans and build state and local infrastructure to enhance and implement those plans.

- Test the plans through emergency drills to measure their effectiveness, as well as identify and address any gaps.

- Purchase more than 270,000 doses of Tamiflu, an antiviral medication that has shown to be effective in treating current strains of the flu.

- Aid research scientists in the investigation of disease outbreaks, which will improve coordinated and swift response.

Increasing Preparedness for Chemical and Radiological Disasters and Terrorist Attacks

The federal Department of Homeland Security and other experts advise that the threat of terrorist attacks involving the use of radiological or chemical agents, like dirty bombs and cyanide, is more likely than terrorist attacks involving biologic agents, such as

Ebola virus and anthrax. However, historically, federal bioterrorism funding has been focused on preparing for an attack that involves biological agents. The budget provides $4.2 million to address a critical gap in state and local bioterrorism preparedness: supporting state and local efforts to plan, train, respond and recover from disasters and terrorist attacks involving a chemical and radiological contamination of food, water and the environment.

Expanding Disease Surveillance and Strengthening California's Laboratory Infrastructure

The Governor's Budget includes a $6 million total augmentation to expand disease surveillance, strengthen the state's laboratory infrastructure and build surge capacity, thereby improving early detection and response to disease outbreaks.

Of this amount, a $1.3 million augmentation will expand the ability of state and local agencies to conduct communicable disease surveillance. A $4.7 million increase will improve California's laboratory capabilities by providing resources for more efficient laboratory testing and surge capacity, addressing loss of staff resources, supporting retention of existing staff, purchasing laboratory supplies and establishing training programs to provide qualified candidates to replace retiring local laboratory directors.

Building Health Care Capacity to Meet Increased Demand in Disasters

Surge capacity measures a health care delivery system's ability to expand quickly to meet increased needs during a public health emergency, such as a natural disaster or terrorist attack.

The Governor's Budget includes proposals to build California's surge capacity and address gaps in the three key areas of surge: equipment, personnel and facilities. California has made significant progress in supplying additional equipment required in a disaster. The state has also increased the availability of isolation beds for people with airborne illnesses to protect medical staff and other hospital patients.

The Governor's Budget provides a one-time augmentation of $2.3 million ($1.6 million General Fund) to purchase personal protective equipment for ambulance personnel. The budget allocates $1.8 million in federal funds to establish three California Medical Assistance Teams, strategically stationed across the state, with sufficient trained health care personnel and equipment to treat 250 victims per day for up to three days and that would be available for deployment anywhere in the state immediately following a disaster. Lastly, the budget ($1.6 million; $1.5 million General Fund) and proposed legislation will improve public safety and facilitate creation of a centralized list of first responders by consolidating licensure of emergency services personnel at the state level. In addition to these proposals, HHSA will work with the Department of Health Services and Emergency Medical Services Authority to conduct an assessment of California's current bed capacity and ability to surge in an emergency and develop May

Revision proposals to continue to build California's health care system capacity to respond to a major disaster.

Supporting Emergency Preparedness Through Public Awareness Efforts

The Governor's Budget proposes $14.3 million for an emergency preparedness public information campaign to encourage individuals, families and communities to be better prepared for a disaster and take action to prevent the spread of disease in the face of a possible avian influenza pandemic. The funding will support community outreach and education, development and dissemination of public health prevention messages and completion of messages that would be aired if a flu pandemic occurs. In coordination with the Governor's Office of Emergency Services and the Office of Homeland Security, HHSA will develop an emergency preparedness public information campaign that includes general market and ethnic media and focuses on emergency preparedness and general prevention messages. The state will also establish a pandemic influenza hotline to allow the public and media to obtain general information and ask questions about the disease and to help medical professionals track the disease and control outbreaks.

Californians Have Access to Affordable Health Care Coverage

Access to appropriate health care services is essential to a child's success in school and life. Ensuring children in California have health insurance remains a high priority for the Administration. Reflecting this priority, the 2005-06 budget protected Medi-Cal and Healthy Families Program (HFP) expansions and reforms enacted earlier in the decade that have increased health coverage for low-income children. In addition, the 2005-06 budget included $15 million for the enrollment and retention of uninsured children eligible for Medi-Cal and HFP. As a result, HFP enrollment alone is estimated to increase by 105,800 children in 2006-07. These efforts have helped insure hundreds of thousands of children through Medi-Cal and HFP and decreased the number of uninsured children in California by more than 400,000 since 2001.

California has done a remarkable job of covering uninsured children; 95 percent of eligible children are enrolled in Medi-Cal and 90 percent of eligible children are enrolled in HFP. While this is a considerable achievement, nearly 800,000 children remain uninsured. Of particular note, an estimated 428,000 children are already eligible for Medi-Cal or HFP, but are not enrolled. This is due to a number of factors, including parents of eligible children being unaware of the programs or their child's eligibility. In addition, administrative processes pose challenges for some families, resulting in enrolled children leaving the programs.

The Administration is committed to ensuring that children have access to affordable health insurance coverage. Toward that end, the Governor's Budget places priority attention on the 55 percent of uninsured children who are eligible for Medi-Cal or HFP. The Governor's Budget includes $72.2 million ($34.2 million General Fund) to reconstitute a more comprehensive strategy to identify, educate and enroll children eligible for public programs. Specifically, the budget proposes strategies to promote and maximize enrollment in Medi-Cal and HFP, improve the retention of children already enrolled and support county-based efforts to enroll eligible children in existing public programs. Taken together, these proposals will help California make significant progress toward covering the majority of uninsured children in the state. The Governor's Budget includes the following program changes to increase, retain and return eligible children in these programs.

Increasing Enrollment

- Provide up to $20 million in grants to counties for outreach and enrollment activities. In recent years, counties have invested significant financial resources and time to develop strong relationships with schools, community groups, providers and charitable organizations to encourage children to enroll in Medi-Cal, HFP or county-based Healthy Kids programs. These grants will build upon those local efforts to reach underserved communities and maximize enrollment in a culturally and linguistically appropriate manner.

- Provide incentive payments to encourage Certified Applicant Assistants (CAAs) to enroll more children in Medi-Cal and HFP. For the first time in two years, the 2005-06 budget provided funding for payments to assistants who help parents successfully complete applications in order to increase enrollment. This year, the Governor's Budget includes incentive payments to CAAs who increase their productivity from quarter to quarter, thereby encouraging CAAs to continually enroll more children.

- Make the electronic application, Health-e-App, widely available and encourage application assistants and others to enroll children using state-of-the-art technology. The Health-e-App is easy to use and has increased the number of completed Medi-Cal and HFP applications, which saves administrative time and costs and increases enrollment.

- Initiate a public education campaign to promote awareness of Medi-Cal and HFP, emphasize the importance of health care coverage to a child's health and encourage parents to enroll their children.

Retaining Children in Health Coverage Programs

The Administration proposes to simplify the Medi-Cal form used to determine a child's continued eligibility. Medi-Cal has worked with counties and stakeholders to make the annual form to determine continued eligibility simpler and easier to use. The simplified form will increase retention and help ensure that children already enrolled in Medi-Cal stay in the program.

Children Are Raised in Safer, More Stable and Permanent Homes

California has implemented significant changes in the state's child welfare services system to promote the safety of children, sustain permanence for children and promote the well-being of children and families. These efforts respond to findings that young adults leaving foster care ("emancipated youth") are often among the homeless, incarcerated and physically and sexually assaulted. Research also indicates that prevention and early intervention services stabilize and strengthen families, keep children safe and with their families and prevent the need for more extensive and expensive treatment, such as out-of-home care.

While progress has been made, more work remains. The Governor's Budget builds upon existing foster care reforms to advance the Administration's goal for child welfare: every child will live in a safe, stable, permanent home, nurtured by healthy families and strong communities. Consistent with this goal, the Governor signed a comprehensive package of bipartisan legislation designed to improve the health and well-being of children entrusted to the state's care. Toward that end, the proposed children's services (Child Welfare Services [CWS], Foster Care, Adoptions, Adoption Assistance and Child Abuse Prevention) budget for 2006-07 is $3.8 billion ($1.4 billion General Fund). These investments will help implement key pieces of legislation signed by the Governor, expand programs that help children thrive by promoting placement in permanent stable homes with nurturing families and provide the support youths need as they transition from foster care into adulthood.

Implementing Strategies to Improve Services to Children and Families

Reflecting key reforms enacted in recent years, California's CWS program is undergoing a fundamental restructuring of program management and the delivery of critical services. For the first time, counties have the authority to localize the CWS program and assess their success in achieving the program goals of safety, permanence and well-being for vulnerable children and families. The Governor's Budget continues $12.9 million ($7.6 million General Fund) in support of county efforts to improve outcomes for these vulnerable children, an increase of $3.9 million General Fund from the 2005-06 budget.

Promoting Permanent Homes and Family Connections

- Uniting Teen Mothers and Babies: Legislation signed last year offers foster parents higher rates and a $200 incentive to teach parenting skills to teen moms in foster care so young mothers stay with their babies. To implement SB 500, the budget provides $385,000 ($156,000 General Fund) in 2005-06 and $771,000 ($313,000 General Fund) in 2006-07.

- Keeping Families Together and Supporting Permanent Homes: An additional $15 million ($9.6 million General Fund) will be used to expand permanent homes for children who cannot be reunified with their parents. Resources for the

Kinship Support Services Program will be increased to offer incentives for relatives to assume guardianship of children as appropriate and to support increasing adoptions statewide by 1,000 per year. Adoptions offer youth who cannot safely return to their families or other relatives a permanent home and lead to improved outcomes and reduced need for foster care.

- Encouraging Adult Role Models: Beginning in 2006-07, $14.4 million ($7.8 million General Fund) is targeted to implement AB 1412, which requires social workers to identify adult mentors to promote life-long supportive relationships to help children in foster care succeed.

Supporting Older Foster Kids and Emancipated Youth

- Promoting Foster Youth Independence: The Governor's Budget provides $2.6 million ($1.4 million General Fund) to expand transitional housing services that help the 4,000 kids transitioning out of foster care each year achieve self-sufficiency.

Californians Have Healthier Food Choices and Live Active Lives

More than 50 percent of California's adults are at risk of being overweight or obese, approximately one in three children in California are overweight or at risk of overweight and almost 40 percent of school-aged children are unfit. Fueled by environmental forces and individual choices that lead to unhealthy eating and physical inactivity, obesity has become a public health crisis that threatens to surpass tobacco as the leading cause of preventable death.

The Administration is committed to shifting the tide in this epidemic. Through concrete and groundbreaking action, the Governor is leading the fight against California's obesity epidemic. In the last year, the Administration has:

- Announced an ambitious, forward-reaching 10-point vision for a healthy California to challenge government, business, community organizations and individuals to make California a national model for healthy living and called upon his Cabinet to develop and implement policies to encourage the health and fitness of Californians.

- Consistent with the Governor's vision, signed landmark legislation giving California public schools the strongest nutrition standards in the nation by getting sodas and junk food out of schools and adding more fresh fruits and vegetables to school meal programs.

- Convened the first-of-its-kind Governor's Summit on Health, Nutrition and Obesity, which brought together leaders and experts from the business, education, government and public health communities. At the Summit, heads of public and private sector organizations made commitments to change core business practices to prevent obesity by providing healthier food options and more opportunities for physical activity, increasing access to obesity prevention and weight management services and building communities that encourage physical activity. A multi-sectoral "sustainability work group" has been established to garner additional commitments from other California businesses and organizations.

The Governor's Budget builds upon the momentum of the Summit by providing an increase in funding for physical education in schools, which will address critical problems identified during the Summit, including a significant decline in the level of physical activity and reduced focus on physical education in schools.

In addition, the Administration is developing proposals for the spring budget process to advance a healthy California that could include improving access to affordable fruits and vegetables in low-income communities and leveraging publicly funded health insurance programs to improve obesity prevention and treatment services.

Seniors and Persons With Disabilities Live in the Most Integrated Appropriate Community Setting

The 1999 United States Supreme Court decision in Olmstead v. L.C. ordered federal, state and local governments to ensure seniors and persons with disabilities live in the least restrictive appropriate community setting. The Olmstead decision complements the Administration's goal to support independence for seniors and persons with disabilities to prevent, delay or curtail institutionalization. Consistent with this priority, the Governor established the Olmstead Advisory Committee to help inform the Administration's consideration of policies and programs that will ensure access to and choices of community-based services and placement options.

The Administration has worked on several initiatives that reflect its commitment to the principles of the Olmstead decision and the belief that Californians with disabilities and seniors have the ability to live and participate in their communities. Accomplishments include: (1) secured federal approval to allow thousands of In-Home Supportive Services recipients to be cared for by relatives in their homes and avoid unnecessary institutionalization; (2) continued responsible and timely implementation of Proposition 63 (Mental Health Services Act) to create a state-of-the-art, culturally competent mental health system; (3) advanced, in collaboration with Bay Area regional centers, innovative efforts to place a majority of clients at Agnews Developmental Center into the community prior to the closure of Agnews; and (4) continued to protect the Lanterman Act, which entitles individuals with developmental disabilities to services that support their ability to live independently in the community.

The Governor's Budget provides nearly $6.9 million ($4.4 million General Fund) to implement additional initiatives that will advance key objectives associated with the Olmstead decision, including enhancing compensation for care, promoting appropriate services to meet consumer needs and supporting less costly community-based alternatives to institutionalization.

Enhancing Compensation for Community Care

- Provider Rate Increase: The state contracts with several providers that maintain independence for vulnerable populations by giving assistance through such services as residential care, transportation, vocational training and day programs. These providers have sustained rate freezes during the past three years of severe budget shortfalls. Relief is needed to reduce the stress on the provider system, prevent program closures and maintain high quality of care for clients. The Governor's Budget includes $67.8 million ($46.1 million General Fund) to provide a 3 percent cost-of-living increase. The budget also includes $824,000 ($176,000 General Fund) to provide a 3 percent rate increase to habilitation service programs administered by the Department of Rehabilitation, such as job training, job coaching and providing adaptive equipment.

Promoting Community-Based Alternatives to Institutionalization

- Advance Community Options Through Integration: This proposal provides $1.2 million ($525,000 General Fund) to expand community-based alternatives to nursing home care for seniors dually eligible for Medi-Cal and Medicare and persons with disabilities who enroll in the federal government's new Special Needs Plans. The proposal will create continuity of care across Medicare and Medi-Cal, enhance access to home- and community-based services, improve the overall health of dual eligibles and reduce costs by integrating the financing and delivery of services.

- Support Assisted Living Options for Medi-Cal Beneficiaries: This proposal provides $1.2 million ($467,000 General Fund) to implement pilot programs to test assisted living as a Medi-Cal benefit in residential care facilities for the elderly and publicly subsidized housing.

- Expand Access to Nursing Services: This proposal provides $1.2 million ($355,000 General Fund) to expand nursing services in a home- or community-based setting for individuals who would otherwise live in an institution.

- Adult Residential Facilities for Persons with Special Health Care Needs: This proposal provides $90,000 General Fund to license and regulate adult residential facilities in the Bay Area for the 120 consumers with special health care needs who will be moved out of Agnews Developmental Center.

Coordinating Consumer Needs With Appropriate Services

- Develop a Coordinated Assessment System: This proposal provides $595,000 ($297,000 General Fund) to develop and test a coordinated assessment tool that identifies individual consumer needs across programs for seniors and persons with disabilities to ensure necessary services and supports are provided. This proposal will help individuals access services in the community and divert or delay nursing home placement.

- Expand the Autism Spectrum Disorders (ASD) Initiative: During the past 10 years, the number of individuals with autism has increased dramatically. More than 50 percent of new consumers requesting regional center services have been diagnosed with ASD. Research shows that the earlier autism is diagnosed and treated, the better the condition can be mitigated, allowing individuals to be more functional in school and the community. Therefore, the Governor's Budget includes $2.7 million ($2.6 million General Fund) to develop best practices treatment guidelines and connect autistic individuals with treatment to improve outcomes.

Reforming Licensing Programs to Protect Public Health and Safety

HHSA departments license almost half a million facilities and professionals, including child care providers, foster care homes, nursing homes, alcohol and drug treatment providers, hospitals, mental health facilities, laboratory technicians, certified nurse assistants, X-ray technologists and paramedics. Each licensing and certification program within HHSA is critical to protecting the health and safety of millions of Californians. Service demands have outpaced available resources, structural systems have become outdated and statutory changes have contributed to inconsistencies, duplication and confusion.

To better protect California's citizens and improve access to necessary services, the Administration is undertaking a multi-year, comprehensive reform effort to increase health and safety protections, modernize licensing business systems and maximize the use of program resources through more efficient practices and supporting activities through fees when appropriate.

Protecting the Health and Safety of Californians and Ensuring Compliance with the Law

Protecting the health and safety of patients and other consumers served by licensed facilities is the highest priority of all HHSA licensing programs. The Governor's Budget provides necessary resources to ensure licensees are in compliance with state and federal law, address backlogs, including delays in complaint investigations, and conduct required facility visits. Specifically, the Governor's Budget establishes 155.5 new positions to support Department of Health Services (DHS) licensing activities, including timely investigation of complaints about nursing home care, and creates 75.8 new positions at the Department of Social Services (DSS) to complete required workload, including increased visits to facilities caring for children.

The Governor's Budget proposes reforms to hold non-compliant facilities accountable and builds upon a DSS initiative to increase sharing of adverse licensing information across HHSA departments. The proposal enhances public safety protections by preventing violent criminals from working with the most vulnerable populations and improving criminal background check requirements and investigations. Increased resources will allow HHSA departments to investigate more than 20,000 subsequent arrest records received by both DHS and DSS for persons already employed in care facilities. Lastly, such reforms as suspending state funding for habitually non-compliant facilities, instituting probationary periods and increasing penalties for facilities with repeated violations, will improve accountability when providers fail to deliver quality services and protect client safety.

Modernizing Business Practices and Improving Customer Service

HHSA licensing programs business practices have become outdated and in some cases, obsolete. Proposed reforms seek to develop a more efficient, effective and consumer-friendly administrative system through electronic fee collections, more extensive use of the Internet and automated processes and streamlined licensing requirements for facilities and professionals in good standing. The Governor's Budget provides resources for DSS to collect fees electronically and integrate fee payments with other online processes, such as initial applications for licensure. The budget also provides needed staffing for DHS, DSS and the Department of Mental Health (DMH) to license and certify new applicants, eliminate backlogs and provide Californians greater access to needed health and human services and employment.

In addition to providing needed resources, the Governor's Budget proposes reforms to streamline licensing practices and realize administrative efficiencies. HHSA licensing programs will establish multi-year licensing periods, unless doing so would jeopardize health and safety. When appropriate, programs will collect fees every other year. In addition, HHSA licensing programs will provide orientations for new applicants and establish a waiting period for applicants who are denied licensure. This will help reduce errors in applications and eliminate the need to repeatedly process applications from unqualified persons or entities.

Maximizing the Use of Available Resources

The Governor's Budget proposes maximizing the use of available resources by implementing targeted monitoring, using appropriate staff to perform program functions and supporting program activities with fee revenue when appropriate. For example, DHS will implement targeted monitoring of large water systems, thereby prioritizing oversight and investigation of higher risk facilities. DHS' Licensing and Certification Program will also pilot test the use of licensed vocational nurses to participate in facility surveys, perform clinical assessments and investigate complaints, as appropriate. In addition, DHS will adjust fees to make many of the licensing programs fully fee-supported.

Future Efforts

The 2005-06 budget initiates HHSA's multi-year, comprehensive licensing reform effort with proposals, efficiencies and investments for some of the more critical departments. This effort is just the beginning and will continue over time to include additional departments and reforms:

- The Department of Alcohol and Drug Programs is reviewing program certification and licensing standards and will propose changes in the upcoming year that will better protect public safety and ensure the delivery of quality services.

- DHS' Laboratory Services Division is implementing electronic fee collection and an online system to process new applications and renewals.

- HHSA departments are working to develop standardized Web sites and expand their use of automation to increase consumer access to licensing information, improve customer service and realize administrative efficiencies. Licensing programs will expand access to the centralized database developed by DSS that captures administrative legal actions that result in revocation, denial or exclusion from a facility, making it easier for other departments and programs to identify and exclude persons that may be a risk to the health and safety of Californians.

Coordinating Care for Medi-Cal's Most Frequent Users

Since 1966, Medi-Cal has provided health care for low-income children, their parents, pregnant women, seniors and persons with disabilities. In addition to providing benefits required by federal law, California is one of eight states that provide a wide range of optional benefits. Medi-Cal provides health care services to 6.8 million individuals, or just more than one in six Californians.

While Medi-Cal provides critical services for millions of the most medically fragile Californians, those services frequently are fragmented and uncoordinated. More than 90 percent of seniors and persons with disabilities on Medi-Cal receive care through the fee-for-service (FFS) model. Some beneficiaries prefer FFS because they believe it enhances their choice of providers, but for too many Medi-Cal participants, the FFS model results in care that is unmanaged, inefficient and far less effective than a coordinated care system that emphasizes primary and preventive care.

By better coordinating care for Medi-Cal's most frequent users, California can improve health outcomes and control the future growth in costs. To reach this goal, the Governor's Budget invests resources in proposals to expand the coordination of care for seniors and persons with disabilities on Medi-Cal.

Increasing Enrollment of Seniors and Persons with Disabilities in Medi-Cal Managed Care

This proposal aligns with the 2005 Medi-Cal redesign objectives of increasing access to care and improving health outcomes through managed care expansion and builds upon recommendations from legislators and advocates that DHS take a more cautious and deliberate approach to achieving this end. The proposal builds upon current efforts to work with consumers, advocates, providers and health plans to further develop the infrastructure, policies, procedures and performance standards necessary to serve seniors and persons with disabilities in managed care. It also includes funds to expand outreach and education efforts in Medi-Cal managed care counties as a way to increase voluntary enrollment by seniors and persons with disabilities. Finally, the proposal includes a pilot project to require enrollment of seniors and persons with disabilities in Medi-Cal managed care in two additional counties beginning in April 2008.

Implementing Care Management Demonstration Projects for High-End Users

The Governor's Budget includes resources to create demonstration projects to coordinate care for Medi-Cal beneficiaries who have serious mental illness (SMI) and those with chronic conditions who are seriously ill and may be nearing the end of their lives. Medi-Cal beneficiaries with SMI typically receive disjointed and unorganized physical health care though the FFS model and depend upon county mental health departments for their mental health care. The result is a fragmented system of care that does not coordinate critical mental and physical health services, thereby decreasing health outcomes and unnecessarily increasing costs. DHS will work with counties, the

Department of Mental Health and the Department of Alcohol and Drug Programs to develop a demonstration project to manage all elements of care for this population. In addition, DHS will develop a demonstration project to coordinate care for chronically ill beneficiaries who may be nearing the end of life. The project will focus on care coordination by primary caregivers, disease management, enhanced use of data and treatment protocols and greater communication with beneficiaries and caregivers to ensure that services are delivered timely and efficiently.

Reforming Addiction Treatment for Drug Offenders (Proposition 36)

Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA), was approved by voters on November 7, 2000. Under SACPA, first or second time non-violent adult drug offenders who use, possess or transport illegal drugs for personal use receive drug treatment rather than prison time. SACPA is intended to preserve jail and prison cells for serious and violent offenders, enhance public safety by reducing drug-related crime and improve public health by reducing drug abuse through treatment. SACPA provided an annual $120 million General Fund transfer to the Substance Abuse Treatment Trust Fund from 2001-02 through 2005-06 to support state-level and local SACPA-related activities.

The Governor's Budget proposes maintaining the General Fund transfer to the Substance Abuse Treatment Trust Fund at $120 million for 2006-07 conditioned upon the enactment of reforms to the program. This will provide approximately $116.5 million to counties for local SACPA-related activities and $3.5 million to support state-level activities, including 29.7 positions and an annual evaluation of SACPA.

Although funding for drug treatment under voter-approved Proposition 36 sunsets on June 30, 2006, the law allowing drug offenders to obtain addiction treatment in lieu of incarceration remains in effect. Evaluations have shown that Proposition 36 participants are less likely to re-offend and are more likely to remain sober and employed. However, only 34 percent of those entering treatment complete their programs. Along with recommending $120 million in funding for drug treatment in the Governor's Budget, the Administration will seek significant reforms to Proposition 36 to improve outcomes and accountability.

The Administration will work with the Legislature and stakeholders to improve completion rates, ultimately reduce the number of drug offenders recommitting crimes and ensure more people lead successful, drug-free lives. Proposed improvements include:

Accountability

- Jail Sanctions: Proposition 36 provides drug offenders with the opportunity to avoid incarceration by seeking treatment. However, Proposition 36 needs to be strengthened by giving judges the authority to hold offenders accountable for attending and completing treatment through short jail terms to ensure a drug offender's actual participation.

- Drug Testing: Drug testing is integral to drug treatment and occurs regularly as part of a participant’s treatment program. Courts should be required to impose drug testing as a condition of probation to ensure compliance with treatment programs.

- Judicial Monitoring: Dedicated court calendars and use of “drug court“ models will improve collaboration between treatment providers and law enforcement.

Reform Treatment Services

- Cultural Competency: This will ensure the availability of culturally and linguistically appropriate services.

- Tailored Treatment: Treatment will be offered based upon client assessment and placement criteria so offenders receive appropriate treatment to overcome addiction.

Health and Human Services Savings Proposals

Notwithstanding the value and importance of services provided by HHSA departments, many of HHSA's major programs continue to be contributors to the overall growth in state expenditures. The Governor's Budget proposes reforms, reductions and savings for a number of HHSA programs, including Medi-Cal and CalWORKs.

Department of Health Services Savings Proposals

- Reform Adult Day Health Care Program: The Governor's Budget proposes reforms to combat fraud and maximize resources, including hiring nurses to inspect facilities and eliminating the use of a flat rate. These reforms should result in savings of approximately $19.3 million ($9.8 million General Fund) in 2006-07.

- Freeze County Administration Salary and Overhead Reimbursements: The Governor's Budget freezes the state's contribution to county overhead and salaries at the 2005-06 level, which will save $42.4 million ($21.2 million General Fund) in 2006-07.

Department of Social Services Savings Proposals

Consistent with state policy to maintain state funding at the federally required maintenance of effort (MOE) level, CalWORKs expenditures must be reduced. As one approach, the Administration offers the following two proposals and looks forward to working with the Legislature, counties and others to structure an approach that maintains state funding at the MOE level while ensuring necessary services and support to promote participants' work activities:

- Recover CalWORKs Child Care Expenditures Associated with Welfare Reform: The Governor's Budget reduces the 2005-06 allocation to counties for child care expenditures by $114.6 million and the child care holdback reserve by $5.4 million. Due to a number of circumstances, the counties are not expected to have increased child care costs as assumed in the 2005 Budget Act.

- Delay CalWORKs Pay for Performance Allocation: The Administration proposes to delay incentive payments to counties for the Pay for Performance Program while DSS works with counties to fully implement the "work-first" approach and core work requirements included as part of welfare reform. Delaying incentive payments results in savings of $30 million in 2006-07.

Additional DSS savings proposals include:

- Continue Sponsor Deeming Period for the Cash Assistance Program for Immigrants: This proposal continues the current statutory sponsor deeming period for another five years. During the deeming period, the income and resources of the person sponsoring the non-citizen are taken into account when determining benefit eligibility. Continuing the sponsor deeming period will result

in a General Fund cost avoidance of $12.5 million in 2006-07 and more than $40 million in 2007-08.

- Continue Federal Supplemental Security Income Cost-of-Living Adjustment (SSI COLA) General Fund Savings: The Administration proposes that the pass-through of the January 2007 federal SSI COLA, scheduled under current law to be provided in April 2007, be suspended until July 2008. This proposal is estimated to result in General Fund savings of $48.1 million in 2006-07 and more than $185 million in 2007-08.

Additional Program Highlights

DEPARTMENT OF HEALTH SERVICES

The Governor's Budget includes $38.4 billion ($14.4 billion General Fund), which reflects an increase of $1.1 billion ($533.5 million General Fund) above the revised 2005-06 budget and $14.6 million (an increase of $727.4 million General Fund) below the 2005 Budget Act. The mission of the Department of Health Services (DHS) is to protect and improve the health of all Californians.

Public Health

State expenditures for all public health programs and state administration total $3.7 billion ($645.9 million General Fund) in 2006-07. This represents an increase of $120.5 million, or 3.4 percent above General Fund expenditures in the revised 2005-06 budget.

DHS administers numerous public health programs to prevent and treat disease and premature death and to enhance the health and well-being of Californians. DHS works to prevent and treat chronic diseases, such as Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS), cancer, cardiovascular disease and environmental and occupational diseases. DHS protects the public from consuming unsafe drinking water, manages and regulates the safety of food, drugs, medical devices and radiation sources and operates vital public health laboratories.

Natural and Intentional Disaster Prevention and Preparedness

The Governor's Budget includes an increase of $45.8 million General Fund and 55.1 new positions to support California's public health system's capacity to respond to natural and intentional disasters, including bioterrorism, outbreaks of infectious diseases and other public health threats.

Funding in 2006-07 will allow DHS and local public health systems to strengthen their responses to public health emergencies, including pandemic influenza, strengthen laboratory infrastructure and staffing and expand disease surveillance. While these efforts are in many instances targeted toward an influenza pandemic, the infrastructure being developed will be capable of responding to other natural and intentional disasters that jeopardize public health. The Governor's Budget includes funding for the following:

- $17.9 million General Fund for local health departments to support local activities related to the prevention of a pandemic influenza outbreak.

- $14.3 million General Fund to develop and publicize a statewide pandemic influenza public education and information campaign and develop a general emergency preparedness communications campaign. This will occur in coordination with the Governor's Office of Emergency Services and the Office of Homeland Security.

- $4.2 million General Fund to strengthen the state laboratory infrastructure and staffing resources to conduct more efficient testing, increase laboratory surge capacity, conduct influenza-specific testing and establish pre-doctoral and post-doctoral training programs to provide a qualified pool of candidates to backfill local public health laboratory directors as they retire.

- $4.2 million General Fund to expand state efforts and assist local agencies in how to plan for, respond to, train for and recover from disasters and terrorist incidents that could result from chemical and radiological contamination of food, water and the environment.

- $1.5 million General Fund to purchase Tamiflu and manage the antiviral, vaccines and medical supplies that California will need during a pandemic.

- $1.4 million General Fund to develop and maintain an ongoing program for prevention and control of health care and community infections through provider education, surveillance and laboratory testing. This proposal would address hospital and health care-associated infections and community infections for which infection control measures are the primary method of control.

- $1.3 million General Fund to expand and maintain state and local capacity to conduct communicable disease surveillance, which is the basis for disease detection and response to outbreaks or bioterrorism events.

- $1 million General Fund to strengthen DHS' pandemic influenza planning effort, conduct epidemiologic investigations of influenza and respiratory disease outbreaks and provide epidemiologic and statistical support to infectious disease laboratories. DHS will train existing frontline public health field investigators to more effectively respond to anticipated infectious disease events.

The Governor's Budget also includes $109.5 million in grant awards from the Centers for Disease Control and Prevention and the Health Resources and Services Administration, under the Department of Defense and Emergency Supplemental Appropriations for Recovery From and Response to Terrorist Attacks on the United States Act, 2002.

In addition to these resources identified in the Governor's Budget, 2005-06 expenditure needs of nearly $9.3 million are also identified:

- $4.8 million General Fund to support local health department activities related to the prevention of a pandemic influenza outbreak.

- $3 million General Fund to develop and publicize a statewide pandemic influenza public education and information campaign.

- $500,000 General Fund to strengthen the state laboratory infrastructure and staffing resources to conduct more efficient testing, increase laboratory surge capacity and conduct influenza-specific testing.

- $460,000 General Fund to purchase Tamiflu and to manage the antiviral, vaccines and medical supplies that California will need during a pandemic.

- $500,000 General Fund to strengthen pandemic influenza planning efforts, conduct epidemiologic investigations of influenza and respiratory disease outbreaks and provide epidemiologic and statistical support to infectious disease laboratories. DHS will also use these funds to train existing frontline public health field investigation staff to more effectively respond to anticipated infectious disease event.

Children's Medical Services

The Governor's Budget includes $255.5 million ($79.2 million General Fund) for Children's Medical Services (CMS) programs, which reflects an increase of $30.9 million (a decrease of $6.5 million General Fund) above the revised 2005-06 budget and $38.7 million (decrease of $44.8 million General Fund) above the 2005 Budget Act. The General Fund decrease compared to the 2005 Budget Act is attributable to using federal Safety Net Care Pool (SNCP) funds, available under the hospital financing legislation (SB 1100), in lieu of General Fund.

CMS includes the California Children's Services, Child Health and Disability Prevention and Genetically Handicapped Persons Programs, which provide medical services, case management and medical, physical and occupational therapy to persons with extraordinary medical needs who are not eligible for Medi-Cal because of their income status.

Proposition 99 Expenditures

Smoking rates in California continue to decline, due in large part to the effectiveness of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99), the California Children and Families First Initiative (Proposition 10) and California's tobacco control programs. As of December 2005, revenue estimates for 2006-07 are approximately $335.3 million, $10 million more than the revised 2005-06 Budget. This estimated increase is attributable to a state Board of Equalization proposal to better recover state tax revenues from Internet and mail order cigarette and tobacco sales. Historically, Proposition 99 revenues have declined annually as a result of declining smoking rates.

The Governor's Budget proposes total expenditures of $355.2 million for all programs supported by Proposition 99 revenues. This represents an increase of $10.4 million over revised 2005-06 expenditures. The Governor's Budget proposes the following changes to Proposition 99 expenditures in 2006-07:

- Increase funding by $4.3 million on a one-time basis for the tobacco cessation media campaign.

- Provide funding of $4 million for statewide asthma programs to maintain community-based clinical management funding at the 2005-06 level and expand asthma surveillance activities.

- Provide $1.8 million in one-time funding for research to address the disproportionate impact of tobacco use and secondhand smoke exposure on specific California populations.

- Increase funding by $1.3 million on a one-time basis for competitive grants to provide training and technical assistance on cessation services and to develop educational materials focused on disproportionately impacted populations.

- Extend one-time Proposition 99 funding of $1 million for the Rural Health Demonstration Project for an additional fiscal year to maintain program funding at the 2005-06 level.

- Increase funding for the Orthopedic Hospital Settlement by $17.7 million to offset General Fund costs.

HIV/AIDS Treatment and Prevention

DHS' Office of AIDS provides local assistance funding for programs that offer 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 has demonstrated a continued commitment to curb the spread of HIV/AIDS. Some of his accomplishments to date include:

- Increasing funding each year to the nation's second largest AIDS Drug Assistance Program, serving almost 30,000 people, with the largest contribution of any state in the nation.

- Improving access to clean needles, a proven strategy in reducing the transmission of blood-borne illnesses like HIV/AIDS

- Recognizing that HIV/AIDS is an epidemic without borders, California has partnered with Mexico on innovative prevention strategies, including bilingual testing counselors, aimed at Latinos and border populations.

- Signing legislation creating a new initiative to address the disproportionate incidence of HIV among African-Americans.

- Signing legislation to improve health outcomes of HIV/AIDS patients by better serving patients' pharmaceutical drug needs.

The Governor's Budget includes $409.4 million ($174.9 million General Fund) for the Office of AIDS' Treatment and Prevention program. This is a total increase of $24 million, or 6.2 percent above the revised 2005-06 budget.

Nearly 72 percent of total HIV/AIDS program expenditures ($296.4 million) are in the AIDS Drug Assistance Program (ADAP), which provides life-saving medications to low-income persons living with HIV/AIDS. Drugs provided by ADAP have been shown to prolong quality of life and delay the deterioration of health among individuals living with HIV. It is estimated that this program will provide treatment to nearly 31,586 clients in 2006-07, an increase of 1,434 clients in 2005-06.

The Office of AIDS estimates 5,600 existing ADAP clients will be eligible for Medicare Part D drug benefits beginning on January 1, 2006, resulting in approximately $1.5 million General Fund savings in 2005-06 and approximately $10.8 million in 2006-07 savings. ADAP will continue to provide coverage to clients needing assistance by paying deductibles, co-payments and drug dispensing and transaction fees. ADAP estimates that approximately 10,000 new clients may utilize ADAP to pay for co-payments and drug dispensing and transaction fees under Medicare Part D.

Medi-Cal

Medi-Cal, California's Medicaid program, is a health care entitlement program for low-income individuals and families who receive public assistance or lack health care coverage. Federal law requires Medi-Cal to provide a set of basic services, such as doctor visits, laboratory tests, X-rays, hospital inpatient and outpatient care and skilled nursing care. In addition, federal matching funds are available if states choose to provide optional benefits. A wide range of public and private providers and facilities deliver these services. Providers are reimbursed by the traditional fee-for-service method or by payments from managed care plans. Medi-Cal serves just more than one in six Californians.

The Governor's Budget includes $34.7 billion ($13.7 billion General Fund), which reflects an increase of $974.7 million ($542.3 million General Fund) above the revised 2005-06 budget and a net decrease of $181.6 million (an increase of $755.6 million General Fund) from the 2005 Budget Act.

Average monthly caseload is expected to increase in 2006-07 by approximately 126,600, or 1.9 percent, to 6.8 million eligibles from 6.7 million eligibles in 2005-06. California provides more optional services than any other large state to both categorically-eligible and medically-needy persons.

Program Enhancements and Other Budget Adjustments

- Implementation of the Hospital Financing Waiver: The Governor's Budget includes an additional $246 million in federal funding for hospitals under the new federal hospital financing waiver in 2005-06 and $570.7 million in 2006-07.

- Increase Rate Reimbursements for Long-Term Care Facilities: The Governor's Budget includes $172 million ($86 million General Fund) for a 5.4 percent rate increase to freestanding Level B nursing homes and adult sub-acute facilities that provide long-term care to Medi-Cal beneficiaries.

MANAGED RISK MEDICAL INSURANCE BOARD

The Governor's Budget includes $1.2 billion ($379.7 million General Fund) for the Managed Risk Medical Insurance Board (MRMIB), which reflects an increase of $125.8 million ($49.2 million General Fund) above the revised 2005-06 budget and $235.2 million ($30.3 million) above the 2005 Budget Act. This increase is primarily due to enrollment growth in the Healthy Families Program (HFP).

MRMIB administers four programs that provide health care coverage through private health plans to certain groups without health insurance and develops policy and recommendations on providing health care insurance to the approximately 6.6 million Californians who are estimated to go without health care coverage at some point in a given year. MRMIB administers HFP, Access for Infants and Mothers (AIM), the Major Risk Medical Insurance Program and the County Health Initiative Matching Fund Program. The Governor's Budget proposes 88.7 positions for MRMIB, which represents an increase of 9.2 positions above the revised 2005-06 budget for increased workload demands.

Healthy Families Program (HFP)

HFP expenditures are projected to grow from revised expenditures of $908.4 million ($327 million General Fund) in 2005-06 to $1.1 billion ($377 million General Fund) in 2006-07, an increase of $50 million General Fund, or 15.3 percent. This increase is primarily the result of enrollment that is projected to grow from 827,300 by year-end 2005-06 to 933,100 in 2006-07 for a total increase of 105,800 children, or 12.8 percent.

DEPARTMENT OF MENTAL HEALTH

The Governor's Budget includes $3.5 billion ($1.6 billion General Fund) for the Department of Mental Health (DMH), which reflects a net decrease of $167.9 million (an increase of $311.5 million General Fund) from the revised 2005-06 budget and a net decrease of $109.7 million (an increase of $313.9 million General Fund) from the 2005 Budget Act.

This net change primarily reflects a permanent transfer of General Funds for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program from DHS' budget

to DMH and a corresponding reduction in reimbursements from DHS, removal of funding from DMH's budget for reimbursement to counties for costs of implementing the AB 3632 state mandate in 2004-05 and 2005-06, resources for implementing a new recovery treatment model in state hospitals, which complies with the Civil Rights for Institutionalized Persons Act (CRIPA), and removal of one-time funding provided in 2005-06 for the settlement of 2002-03 county claims for the EPSDT Program.

DMH ensures that a continuum of care exists throughout the state for children and adults who are mentally ill by providing oversight of community mental health programs and direct services through state hospitals.

Civil Rights for Institutionalized Persons Act (CRIPA)

The United States Department of Justice (USDOJ) conducted a series of investigations of state hospitals pursuant to the Civil Rights of Institutionalized Persons Act (CRIPA), beginning in June 2002 with Metropolitan State Hospital and ending in December 2005 with Patton State Hospital. California is actively working with USDOJ to bring all five state hospitals into compliance with CRIPA requirements. These efforts will reflect a fundamental shift in DMH's treatment philosophy to focus on recovery rather than the disease, disability or disorder. They will also bring DMH into line with the dominant philosophy of treatment recognized by the mental health field throughout the United States and by local mental health reforms in California being instituted through the Mental Health Services Act. Under the proposed recovery-oriented treatment system, state hospitals will focus on the functional skills desired and necessary to live successfully after discharge, provide treatment, rehabilitation and supports to develop these skills and address the patient's psychiatric and psychological problems. Although enhancements are currently underway at all state hospitals within existing resources, significant additional resources are necessary to accomplish these changes. The Governor's Budget includes $43.5 million ($37.8 million General Fund) and 432 additional positions for this purpose.

Mental Health Services to Special Education Pupils (AB 3632)

With the signing of the 2005 Budget Act, the Governor expressed intent that the AB 3632 mental health services program be shifted from a state-mandated program to a categorical program effective in 2006-07. This shift would ensure that mental health services to pupils continue, but with new accountability and greater efficiency not present in the current mandate reimbursement system. The Administration has begun consulting with mental health and education stakeholders about the need for a more effective way of delivering these services, and there is much work to be done with stakeholders and the Legislature to develop a comprehensive plan for the new categorical program. The Administration will continue these discussions during the next few months so that a refined AB 3632 proposal may be introduced in the May Revision.

The Governor's Budget continues to provide $100 million in special education funding in the Department of Education budget for mental health services to special education

pupils, as required by the federal Individuals with Disabilities Education Act. Of this funding, $69 million in federal funds is for counties to provide these services under contract with local education agencies, and $31 million is Proposition 98 General Funds for local education agencies for pre-referral mental health services. In addition, the Governor's Budget includes $50 million in non-Proposition 98 General Funds as a set-aside in the Commission on State Mandates budget for funding mental health services to pupils under the new categorical program. The Administration will partner with stakeholders and the Legislature to determine how the categorical program should be structured, budgeted and administered to ensure continued services and maximize federal funding for services.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Governor's Budget includes $3.9 billion ($2.4 billion General Fund) for the Department of Developmental Services (DDS), which reflects a net increase of $286.7 million ($156.7 million General Fund) above the revised 2005-06 budget and $243.4 million ($123 million General Fund) above the 2005 Budget Act.

DDS is responsible under the Lanterman Developmental Disabilities Services Act to ensure that more than 200,000 persons with developmental disabilities receive the services and supports they need to lead more independent, productive and normal lives and to make choices and decisions about their own lives.

Agnews Developmental Center Closure

In 2005-06, there is a net decrease of $3.9 million ($1 million General Fund) from the 2005 Budget Act for the planned June 30, 2007, closure of Agnews. The developmental center budget is adjusted by a net increase of $340,000 ($791,000 General Fund). This change includes a $1.2 million decrease in reimbursements from regional centers due to a revised date for utilizing 50 Agnews state employees in the community from October 1, 2005, to January 1, 2006, consistent with current law. The regional center budget is decreased by $4.3 million ($1.8 million General Fund) for updated community placement plan costs, 10 fewer consumers transitioning into the community than projected in the 2005 Budget Act and the new date for using Agnews staff in the community.

The Governor's Budget is adjusted by a net increase of $19.6 million ($14.9 million General Fund) compared to the 2005 Budget Act for Agnews closure activities. The developmental center budget is adjusted by a net decrease of $5.6 million ($3.4 million General Fund). This change includes a $10.5 million ($5.2 million General Fund) increase for costs to relocate Agnews residents, transition and train staff, prepare Sonoma Developmental Center for transferring residents and use 100 Agnews state employees to provide services in the community during 2006-07. The regional center budget is increased by $25.2 million ($18.4 million General Fund) for the costs of placing 177 Agnews residents into the community in 2006-07.

The Bay Area Housing Plan (BAHP), an innovative proposal developed by the three Bay Area regional centers to acquire and develop homes in the community for Agnews residents, is key to the implementation of the Agnews Closure Plan. The Bay Area regional centers have submitted and, after review by the Joint Legislative Budget Committee (JLBC), DDS approved the BAHP that details the proposed plan for development and continuous ownership of properties, management entities and developer. Concurrently, the JLBC reviewed and approved a plan for the proposed expenditure of $11.1 million appropriated in the 2004 Budget Act (and re-appropriated in the 2005 Budget Act) for predevelopment costs associated with the acquisition and development of housing. The Bay Area regional centers are currently negotiating with Bank of America and the California Housing Financing Authority to obtain long-term financing for BAHP housing through the issuance of construction financing and low-interest bonds. Once these negotiations are completed, housing acquisition and development will begin.

Autistic Spectrum Disorder (ASD) Initiative

The Governor's Budget includes $2.6 million General Fund for expansion of the ASD Initiative. This includes $1.9 million for regional centers to provide a new ASD program coordinator and clinical specialist in each regional center and for DDS to establish and coordinate new state and regional ASD resource centers at the 38 community family resource centers or similar community agencies throughout the state. Funding totaling $680,000 is provided for training clinicians and other professionals to implement existing best practice guidelines on the screening, diagnosis and assessment of autism and for the development of new best practice guidelines on the treatment and intervention for autism and interagency collaboration. The budget also includes resources for DDS to implement and monitor this effort.

As proposed, the expanded ASD Initiative will provide a vital service framework to meet major challenges in serving Californians with ASD, provide more effective outcomes for thousands of Californians, guide the service delivery system in the implementation of research-based interventions and provide families with the information they need to make informed decisions when weighing service options.

Long-Term Cost Containment

The community-based system of care grew from about $1.9 billion to $3.1 billion during the last five years, a 63 percent increase. During the past three fiscal years, this growth was slowed by various strategies focused primarily on freezing rates paid to providers. The Governor's Budget continues these temporary cost containment measures in 2006-07, while permanent measures, such as rate standardization, continue to be developed to contain long-term growth within sustainable limits and relieve stress in the system associated with the temporary measures.

The Administration plans to administratively implement one of these permanent measures in 2006-07. Beginning in January 2006, DDS will initiate contract

negotiations with regional centers to provide them with additional responsibilities and tools to control the growth in expenditures. Regional centers will use specified guidelines when planning and purchasing services for consumers and their families.

For regional centers to implement the additional contract requirements, the Governor's Budget includes $7.6 million General Fund. The resulting General Fund cost reductions to regional center purchase of services are estimated to be $10.6 million in 2006-07, $21.1 million in 2007-08 and $31.7 million in 2008-09 and each year thereafter.

DEPARTMENT OF SOCIAL SERVICES

The Governor's Budget includes $17.7 billion ($8.8 billion General Fund), which reflects an increase of $217.7 million ($146.6 million General Fund) above the revised 2005-06 budget and $131.5 million ($154.9 million General Fund) above the 2005 Budget Act.

The Department of Social Services (DSS) provides aid, service and protection to children and adults in need of assistance. All DSS programs are aimed at promoting the well-being of children, strengthening families and helping adults and parents achieve their potential for economic self-sufficiency.

- Set Aside for Potential 2005-06 Child Care Costs Associated with Welfare Reform: The Governor's budget retains $11.5 million in the 2005-06 Temporary Assistance for Needy Families (TANF) reserve to be available to counties if they incur additional child care costs resulting from implementation of welfare reform.

- Prospective Budgeting: The Administration is currently reviewing time study and county survey data to estimate the impact of prospective budgeting on county administration.

In-Home Supportive Services (IHSS)

The 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 includes $1.3 billion General Fund for the IHSS program, which represents a 4.1 percent increase from the revised 2005-06 budget. The average monthly caseload in this program is estimated to be 396,000 recipients in 2006-07, a 6.4 percent increase over the 2005-06 projected level.

DEPARTMENT OF CHILD SUPPORT SERVICES

The Governor's Budget includes $1.4 billion ($517.3 million General Fund), which reflects an increase of $9 million ($4 million General Fund) above the revised 2005-06 budget and $0.4 million ($3.6 million General Fund) above the 2005 Budget Act.

The Child Support Program promotes the well-being of children and the self-sufficiency of families by delivering child support establishment and collection services that assist parents in meeting the financial, medical and emotional needs of their children. To provide enhanced fiscal and programmatic direction and oversight of child support enforcement activities, legislation in 1999 established the Department of Child Support Services (DCSS) and authorized the implementation of a single, statewide child support system comprised of local child support agencies under the supervision of DCSS.

DCSS is the single state agency responsible for child support enforcement activities. It secures child, spousal and medical support, determines paternity and collects child support payments for custodial parents and their children.

State Administration

The Governor's Budget proposes total expenditures of $44.4 million General Fund and 507.5 positions for state administration of the program. DCSS staff ensure a more effective program through expanded state-level direction and supervision of local child support agencies. Specific mandates require increased oversight of local program and fiscal operations.

County Administration

The Governor's Budget proposes $192.2 million General Fund to fund local agency administrative costs, which is approximately the same level of funding for local program expenditures provided in 2005-06. The Governor's Budget also continues to provide $20 million in federal funds to be matched by $10 million in voluntary county funding for the support of local child support agency staff and program services.

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. Child support collections for 2006-07 are projected to be $2.4 billion ($297.5 million General Fund). Collections for 2005-06 are also estimated to be $2.4 billion ($301.1 million General Fund).

Child Support Automation

State law designated the Franchise Tax Board (FTB) as the agent of DCSS for the procurement, development, implementation, maintenance and operation of the California Child Support Automation System (CCSAS). The state is responsible for developing and implementing CCSAS and transitioning all counties onto this new system. The state expects to have the new system fully operational by 2008-09.

The CCSAS project consists of two components: the Child Support Enforcement (CSE) component, which will provide the core automated functionality to manage child support cases, and the State Disbursement Unit (SDU), which will interface with the CSE and process payments to custodial parties. The state entered into a contract with IBM Global Services in July 2003 to develop and implement the CSE component of the project, and it entered into a contract with Bank of America in December 2004 to provide the SDU component of the project.

As a result of California's delay in implementing a single, statewide-automated child support system, the federal government has annually levied penalties against the state. The Governor's Budget includes $220 million General Fund for payment of the federal fiscal year (FFY) 2006 penalty. The Governor's Budget assumes there will not be a penalty for FFY 2007, as DCSS and FTB plan to submit a request for federal certification of CCSAS by September 2006. Pursuant to federal child support regulations, additional automation penalties will be held in abeyance while federal certification review is in progress. In addition, 90 percent of the $220 million ($198 million) penalty will be repaid to the state once federal certification is achieved.

Appendix – Governor's Achievements

Providing Essential Services to California's Most At-Risk Residents

"I am determined...to protect vital services, not only for this generation of Californians, but for the next generation as well."
-Gov. Arnold Schwarzenegger, May 13, 2004

Governor Arnold Schwarzenegger committed himself to protecting the health and well-being of all Californians, and he has been a forceful advocate for providing essential services to the most vulnerable and at-risk residents of the Golden State. The Governor fought hard to secure California's fair share of federal funds and to gain relief from preexisting federal penalties. The current budget includes $1 billion in new funding within the Health and Human Services Agency alone, a remarkable accomplishment given the state's ongoing budget challenges.

The Governor has worked tirelessly to support the ability of seniors and persons with disabilities to live in their homes and communities rather than in institutions; ensure access to essential health care services for those most in need; address critical public health issues; and improve program performance and accountability.

The well-being of Californians includes their safety in times of disasters. In recent years, Californians have endured floods, fires and earthquakes. The Governor has worked to ensure that when emergencies occur, relief is comprehensive and swift.

Recognizing Children as a Priority Investment

- Expanded Healthy Families Program enrollment by more than 125,000 and increased enrollment and outreach activities to ensure more eligible children receive valuable health care coverage and treatment, a $162.2 million investment.

- Increased enrollment for children's health care through Medi-Cal and Healthy Families by more than 10 percent since taking office, serving almost 4,000,000 California children.

- Supported county efforts to offer low-cost health coverage to children not eligible for Healthy Families or Medi-Cal by providing technical assistance to counties and allowing the county programs to buy into Healthy Families.

- Obtained federal approval of an innovative pilot program that has enabled four Bay Area counties to access federal money to expand health care coverage to an estimated 3,000 more low-income children through Healthy Families.

- Signed a package of bills designed to improve California's foster care system and the safety of children entrusted to the state's care by:

    - Promoting long-lasting and loving homes for foster children.
    - Providing better support for youth leaving the foster care system so they can succeed on their own.
    - Adding nearly $13 million in the current budget for counties to improve local foster care programs.

- Implemented a nation leading, state-of-the-art newborn screening program to test for 75 disorders and provide access to treatment for any identified conditions.

- Signed legislation to remove mercury from vaccines, which will protect children and pregnant women from this hazardous toxin.

- Continued efforts to prevent childhood lead poisoning, particularly among Latino children, by prohibiting the sale of imported candies with high levels of lead and strengthening the state's oversight to monitor lead content in candy.

- Expanded local community health center grants for children's asthma control programs by $3 million.

- Provided $10 million for the Early Mental Health Initiative, which offers services to students in kindergarten through third grade who are experiencing mild to moderate school adjustment difficulties.

- Awarded $23 million in new federal funds for an initiative to increase alcohol/drug treatment services for teens and young adults; a program that assesses patients' risk level for addiction; and local efforts to reduce binge drinking among teens and young adults.

Encouraging Healthy Habits

"I'm a parent of four children, and I know firsthand what an enormous challenge it is to make our children eat healthy foods. So we must build an environment where we make good and healthy food choices in our schools and at home."
-Gov. Arnold Schwarzenegger, July 25, 2005

- Promoted the health and fitness of California's children by enacting the most progressive school nutrition standards in the nation, extending the ban of sugary soft drinks in elementary and middle schools to high schools and investing $18.2 million to put more fruits and vegetables into California schools.

- Convened the Summit on Health, Nutrition and Obesity, which yielded immediate results that will improve the health and fitness of Californians and combat the state's obesity crisis; many businesses and community groups answered the Governor's

challenge to change their business practices to offer Californians healthier options and more opportunities for physical activity.

- Launched the Council on Physical Fitness and Sports, a non-profit organization established to position California as the nation's “Fitness State,” with all Californians striving to meet their personal physical fitness and health goals.

- Curbed the use of performance-enhancing drugs in high schools by prohibiting the sale or distribution to students and requiring coaches to complete a training program to identify the signs of steroid abuse.

- Expanded California’s tough anti-tobacco laws by signing legislation to:

    - Prohibit the use of tobacco products at California prisons and youth authority facilities.
    - Increase fines for not properly posting safety information at locations that sell tobacco products.
    - Broaden the Stop Tobacco Access to Kids Enforcement (STAKE) Act by prohibiting the sale of tobacco-related products by self-service display.

Maintaining Independence for Vulnerable Populations

“A society is judged by how it treats its most vulnerable, the compassion to help those less fortunate and the commitment to help all humanity.”
-Gov. Arnold Schwarzenegger, August 31, 2005

- Secured a federal waiver that allows almost 66,000 seniors and persons with disabilities to receive services in their homes and avoid unnecessary institutionalization by allowing federal funds to support care given by loved ones. The waiver is expected to save $1.7 billion over five years.

- Established the Olmstead Advisory Committee to provide the Administration with counsel on policies and programs to ensure older Californians and persons with disabilities have access to and choices of community-based services and placement options.

- Secured legislative approval of a measure that will allow Bay Area regional centers to place a majority of clients at Agnews Developmental Center into the community prior to the closure of Agnews.

- Protected the Lanterman Act, which entitles individuals with developmental disabilities to services that support their ability to live independently in the community.

- Awarded an $800,000 federal grant to develop and test the effectiveness of local "one-stop" centers for benefits counseling, health promotion activities and information on home and community support options for seniors and persons with disabilities.

- Implemented Proposition 63 (Mental Health Services Act) to promote a state-of-the-art, culturally competent mental health system, promoting recovery and wellness for persons with severe mental illness and children with serious emotional disorders and their families.

- Addressed the problem of the chronically homeless by investing more than $50 million for stable housing for homeless persons suffering from mental illness, which also includes supportive services for residents.

- Signed legislation to establish a voluntary program for counties to distribute surplus medications at no cost to the poor and uninsured, expand crime victims rights afforded to children to seniors and adults with disabilities, ensure nursing home residents over age 65 receive flu shots and help protect seniors and dependent adults from financial abuse.

Keeping Patients Safe, Maintaining Access to Care

"Nurses are people of compassion and courage. For them, this profession is truly a labor of love. Let's give them every opportunity to pursue their dream of nursing and make our state a safer and healthier place to live."

-Gov. Arnold Schwarzenegger, April 13, 2005

Nurses

- Implemented regulations establishing first in the nation nurse-to-patient staffing ratios.

- Launched the $90 million California Nursing Education Initiative, a public-private partnership to directly address the root causes of California's nursing shortage by improving nurse recruitment, training and retention.

Medi-Cal

- Secured a new $18.4 billion federal waiver, with $3.3 billion in new federal funds, for safety net hospitals to support vital health care services for Medi-Cal beneficiaries and the uninsured.

- Provided $6 million to improve access to health services in rural areas and loan repayment for doctors serving rural or low-income communities.

- Assisted clients' and consumers' transition from Medi-Cal drug coverage to Medicare's prescription drug plan, with more than $100 million for continuity of care, outreach, training and support for the roughly one million affected Medi-Cal beneficiaries.

- Signed legislation to increase Medi-Cal reimbursement rates in skilled nursing facilities, which will result in better wages for nursing home employees, compensation for facility improvement and better quality of care for residents.

- Ensured resources are directed to those most in need by boosting the Department of Justice's ability to crack down on fraud and abuse in the Medi-Cal program.

Cancer

- Increased funding by almost $3 million for free breast and cervical cancer screenings for low-income women.

- Signed legislation to protect Californians, particularly women of childbearing age, from exposure to harmful chemicals by requiring cosmetic companies to list any ingredients known to cause cancer or reproductive harm.

HIV/AIDS

- Continued his commitment to protect and support individuals with HIV/AIDS and curb the spread of the disease by:

    - Increasing funding for HIV/AIDS prevention education programs.
    - Targeting innovative strategies to address the epidemic in disproportionately affected ethnic communities.
    - Increasing funding for the AIDS Drug Assistance Program.
    - Expanding clean needle programs.
    - Allowing pharmacies to sell clean needles.

- Signed legislation to implement a pilot program to improve health outcomes of HIV/AIDS patients by better serving patients' pharmaceutical drug needs. Based upon the success of this pilot program, it may be expanded statewide.

Miscellaneous

- Signed legislation to protect women's immediate access to emergency contraception, carefully balancing patient's rights with a pharmacist's personal beliefs and a business' right to choose what products it makes available.

- Signed legislation prohibiting taxpayer-subsidized erectile dysfunction drugs for sex offenders.

- Supported expanding research for diseases by signing legislation to:
    - Allow taxpayers to donate to prostate cancer research through income tax forms.
    - Allow taxpayers to continue to donate to Alzheimer's disease research through income tax forms.
    - Create a Parkinson's Disease registry to collect information about the disease.

Making California Safer Than Ever Before

"My Administration will continue to do everything it takes to build a safe, promising and prosperous future for our state."
-Gov. Arnold Schwarzenegger, July 27, 2005

- Used more than $1 billion in federal funding to improve emergency preparedness, communications and bioterrorism readiness efforts.

- Boosted trauma centers' ability to respond during a terrorist event or natural disaster with $10 million in new funds for surge capacity and other emergency medical response services.

- Completed a new state-of-the-art Department of Health Services Emergency Operations Center with primary and back up communications capacity to facilitate rapid response and deployment of the state's public health and medical actions and assets. This center is activated for testing and surveillance of avian flu.

- Purchased personal protective equipment for thousands of California emergency medical services first responders.

- Enhanced California's Medical Mutual Aid Response System with rapid ambulance strike teams and trained regional and local disaster medical managers, which is now a national model in ensuring resources get to first responders more quickly in an emergency.

- Coordinated with federal and state agencies in Mexico on planning and response to public health emergencies and developing a binational guide and risk communication plan for emergency response.

- Conducted a pandemic flu satellite broadcast and tabletop exercise that was downloaded by 1,500 sites worldwide.

- Developed an award-winning Crisis and Emergency Risk Communication Tool Kit and supported regional trainings for state and local health departments on its use.

Combating West Nile Virus

"We have taken action and moved quickly to get communities these essential funds to help protect Californians from the serious health threat of West Nile virus."

-Gov. Arnold Schwarzenegger, July 27, 2005

- Provided $12 million to supplement the resources of existing mosquito control programs statewide and to expand efforts in areas of the state currently not covered to combat West Nile virus. Within a month, the first $9 million of the funds were delivered to local government agencies.

- Minimized the impact of the West Nile virus with the supplemental funding provided in the budget. During the 2005 season, WNV was detected in 54 of California's 58 counties. In addition, there were 894 human WNV infections, including 18 deaths, in the state.

Maximizing Federal Funds

- Secured a new $18.4 billion federal waiver, with $3.3 billion in new federal funds, for safety net hospitals to support vital health care services for Medi-Cal beneficiaries and the uninsured.

- Secured a federal waiver that allows almost 66,000 seniors and persons with disabilities to receive services in their homes and avoid unnecessary institutionalization by allowing federal funds to support care given by loved ones. The waiver is expected to save $1.7 billion over five years.

- Implemented improvements in food stamp error rates that enabled California to receive a $6.8 million "high performance bonus" from the U.S. Department of Agriculture and to negotiate the withdrawal of previously assessed penalties totaling nearly $187 million.

- Deferred payment of federal penalties for the statewide child support collection system, saving California more than $200 million this fiscal year.

- Secured a $7 million bonus grant from the federal government as a reward for California's provision of affordable and accessible subsidized child care for families moving from welfare to work.

- Secured a $57 million increase in federal support for automating the child welfare services case management system.