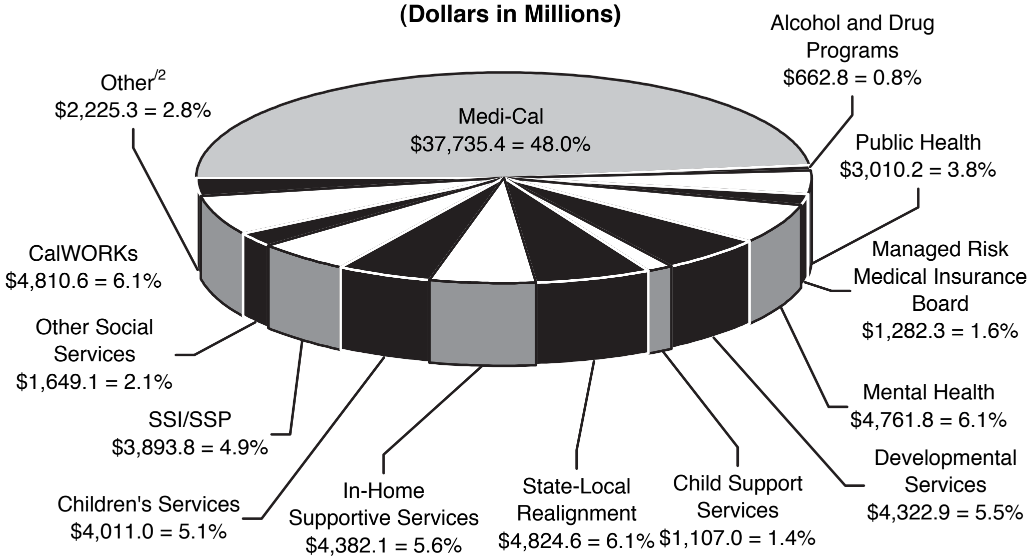
Health and Human Services

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

The revised 2006-07 budget for all HHSA budgets totals $76 billion in combined state and federal funds. This includes expenditures for approximately 32,200 state employees. Figure HHS-01 displays expenditures for each major program area. The 2007-08 totals exceed the revised 2006-07 budget by $2.7 billion, an increase of 3.5 percent.

Figure HHS-01

Health and Human Services Proposed 2007-08 Funding[/1]
All Funds
(Dollars in Millions)



/1 Totals $78,679.1 million for support, local assistance, and capital outlay. This figure includes reimbursements of $6,341.6 million and excludes enhanced federal funding and county funds that do not flow through the state budget.

/2 Includes the non-Medi-Cal portion of the Department of Health Care Services, Health and Human Services Agency, Department and Commission on Aging, Departments of Rehabilitation and Community Services and Development, Office of Statewide Health Planning and Development, State Independent Living Council, Emergency Medical Services Authority, California Children and Families Commission, State Council and Area Boards on Developmental Disabilities, California Medical Assistance Commission, and General Obligation bonds.

Figure HHS-02 displays the revised 2006-07 estimates of caseloads for major health and human services programs, along with the proposed 2007-08 caseload estimates for these programs.

Major Accomplishments in 2006-07

Affordable Prescription Drugs

Two bills chaptered in 2006 to protect the health and well-being of uninsured or underinsured individuals will provide millions of low-income Californians with access to discounted prescription drugs.

Chapter 619, Statutes of 2006 (AB 2911) created the California Discount Prescription Drug Program to deliver prescription drugs at prices up to 40 to 60 percent below retail for generic and brand name drugs to individuals in families with incomes below 300 percent of the federal poverty level (currently, $29,400 for an individual and $60,000 for a family of four),

Figure HHS-02

Major Health and Human Services Program Caseloads

	2006-07 Revised	2007-08 Estimate	Change
California Children's Services (CCS) [a]	39,526	40,860	1,334
(treatment of physical handicaps)			
Medi-Cal Eligible	6,594,100	6,701,500	107,400
CalWORKs			
Average monthly individuals served	1,161,200	1,040,400	-120,800
Average monthly cases (families)	467,300	412,600	-54,700
Foster Care	72,300	69,100	-3,200
SSI/SSP	1,238,600	1,264,800	26,200
(support for aged, blind, and disabled)			
In-Home Supportive Services	375,000	395,100	20,100
Child Welfare Services [b]	159,000	154,900	-4,100
Non-Assistance Food Stamps	563,000	581,100	18,100
State Hospitals			
Mental health clients [c]	6,076	6,544	468
Developmentally disabled clients [d]	2,834	2,589	-245
Community Developmentally Disabled Services			
Regional Centers	212,155	220,600	8,445
Vocational Rehabilitation	79,515	79,515	0
Alcohol and Drug Programs [e]	188,869	199,553	10,684
Healthy Families Program [f]			
Children	841,700	915,600	73,900

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

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

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

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

[e] Represents Drug Medi-Cal Clients.

[f] Represents the year-end population.

to individuals who have significant unreimbursed medical expenses and incomes that fall below the state median family income (currently, $68,310 for a family of four), or, upon federal approval, to eligible seniors whose drugs are not covered by Medicare. Applicants will use a simple form and enroll at local pharmacies, doctors' offices, clinics, on the Internet or through a call center for a modest $10 annual fee. The Governor's Budget includes $8.8 million and 15.2 positions to implement this program in 2007-08.

Chapter 720, Statutes of 2006 (AB 2877) created the California Rx Prescription Drug web site, which will provide information to Californians about the options available for obtaining prescription drugs at affordable prices. The web site will include information on state programs and pharmaceutical manufacturer patient assistance programs that provide free or low-cost prescriptions to qualifying individuals. The newly created Department of Health

Care Services (DHCS) will use redirected staff to implement the web site in summer 2007. The Governor's Budget includes $96,000 and 0.9 position for ongoing web site maintenance.

SB 437—Enrolling Eligible Children in Health Coverage Programs

According to 2005 figures, approximately 447,000 children are eligible for Medi-Cal or the Healthy Families Program (HFP), but are not enrolled. Chapter 328, Statutes of 2006 (SB 437) helps ensure more children have access to health coverage by streamlining enrollment for Medi-Cal and HFP and reducing administrative barriers to ensure children get enrolled and their coverage is not interrupted. SB 437 establishes a pilot program, which can be expanded statewide, that allows parents to self-certify income and assets when enrolling their children in Medi-Cal and during the annual eligibility review process. SB 437 also allows self-certification during the annual eligibility review for HFP. When children apply for Medi-Cal and are found ineligible, but appear eligible for HFP, counties will be able to enroll them in HFP so their health coverage is not delayed. Children enrolling in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) will benefit from expedited enrollment into Medi-Cal or HFP while the state verifies eligibility for either health program.

The Governor's Budget includes $35.9 million ($16.9 million General Fund) and 9.4 positions in 2007-08 for SB 437 implementation activities and enrollment increases in the DHCS, the Department of Public Health (DPH) and the Managed Risk Medical Insurance Board (MRMIB). For the DHCS, Medi-Cal will implement a pilot program for self-certification of income in two counties by July 1, 2007. This pilot is expected to increase Medi-Cal enrollment by 16,472 children in 2007-08. For the DPH, implementation activities include joint efforts among DHCS, DPH and MRMIB to develop the feasibility study reports necessary to begin implementing changes to several automated eligibility systems. This includes an automated enrollment gateway system from local WIC offices using the Integrated Statewide Information System. For the MRMIB, self-certification of income at the annual eligibility review will be implemented by January 1, 2008, and is expected to increase HFP enrollment by 13,237 children in the first six months.

Department of Health Services Restructuring

Effective July 1, 2007, Chapter 241, Statutes of 2006 (SB 162) creates the new DPH and the DHCS from the existing Department of Health Services (DHS). This change will increase accountability, improve the effectiveness of public health programs and health care purchasing activities, enhance state leadership in public health, and increase organizational focus on the departments' respective core missions. The creation of the two new departments is budget neutral.

Biomonitoring

The Governor's Budget provides $1.2 million General Fund and 2.8 positions in 2007-08 for the DPH to begin implementation of an environmental contaminant biomonitoring program pursuant to Chapter 599, Statutes of 2006 (SB 1379). This funding will support a contract to develop a sampling design and establish parameters for this program. This proposal is a collaborative effort that also includes $0.2 million General Fund for the California Environmental Protection Agency's Office of Environmental Health Hazard Assessment and $0.1 million General Fund for the Department of Toxic Substances Control.

Proposition 83 (Jessica's Law)

Jessica's Law, approved by California voters in November 2006, enhances public safety by changing the laws that provide for the commitment, control and supervision of sex offenders. Jessica's Law has the potential to increase sexually violent predator (SVP) commitments to state hospitals from an average of 49 to 440 annually. The population increase of SVPs in state hospitals is reflected in the increased costs at state hospitals.

By expanding the definition of a sexually violent offense, as well as lowering the current two victim criterion to one victim, Jessica's Law significantly increases the number of case referrals to the Department of Mental Health (DMH). The number of cases referred to DMH for screening is expected to increase almost tenfold (from 582 to 5,528 cases annually). The Governor's Budget includes $25.0 million General Fund in 2007-08 to fund additional SVP contractor evaluations and expert court testimonies, $24.1 million General Fund for state hospitals to support 440 new SVP commitments and $449,000 General Fund for Coalinga State Hospital to support the increase in SVP referrals. The budget includes $4.3 million General Fund and 41.8 positions in DMH headquarters to contract, monitor, record and report information for the multiple evaluations and expert court testimonies required.

To immediately begin implementing Jessica's Law, the Governor's Budget reflects a current year augmentation of $15.2 million General Fund for the increased cost of contractor evaluations and expert court testimonies, $12.1 million General Fund for state hospitals to support 271 new SVP commitments, $927,000 General Fund and 21 positions at DMH headquarters to be phased in during the year and $678,000 General Fund and 7.2 positions for Coalinga State Hospital to support the increase in SVP referrals. The California Department of Corrections and Rehabilitation section discusses the impacts of Jessica's Law on that department.

Real Choice Long-Term Care Systems Transformation

The Governor's Budget provides $900,000 in federal funds for implementation of the Real Choice Systems Transformation Grant, referred to as the California Community CHOICE program, to help build the state's long-term care system infrastructure and increase the capacity of the home- and community-based services system. The HHSA received a five-year, $3 million Real Choice Systems Transformation Grant from the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS). The California Community CHOICE program is consistent with the Administration's commitment to reforming the long-term care system by improving access to home- and community-based services, improving information technology systems and developing a funding system that promotes community living options.

Developmental Disabilities Service Provider Rate Increases

The Budget Act of 2006 includes an increase of $70.1 million ($47.7 million General Fund) for a 3-percent cost-of-living increase to programs serving individuals with developmental disabilities that have been subject to provider rate freezes that have been necessary during the last three years. This adjustment is provided to programs for which the Department of Developmental Services (DDS) sets rates (community care facilities, community-based day programs, habilitation service programs, respite agencies, and vouchered respite) and specified contract-services programs (supported living, transportation, and look-alike day programs). This rate increase has promoted provider stability and helped to maintain a continuity of services to consumers and families within the community.

Employment Support for Persons with Developmental Disabilities

The Budget Act of 2006 includes $186.5 million ($112.5 million General Fund) for the DDS and the Department of Rehabilitation to provide employment services for persons with developmental disabilities through the Supported Employment Program (SEP) and the Work Activity Programs (WAP). This funding level reflects a 24-percent rate increase for on-the-job training, a doubling of individual and group job placement fees within the SEP Program, and a 3-percent provider rate increase within the WAP program. In addition, the Budget Act of 2006 includes an increase of $19.1 million ($13.3 million General Fund) to provide additional wage enhancements for direct care providers in WAP and day programs. This increased funding is designed to result in savings in costlier alternative programs, such as day service programs. This new funding is increasing employment opportunities to persons with developmental disabilities and providing services to ensure that consumers remain successful in their jobs. For consumers who are able to work, having a job is a cornerstone to community integration and self-sufficiency.

Child Welfare Services Improvements

Working together in recent years, the Administration and Legislature have taken action to improve the safety, permanency, and well-being of children. The Governor's Budget maintains the $255 million ($160 million General Fund) investment provided to improve the safety, permanency, and well-being of youth in foster care and continues efforts to reform the Child Welfare Services (CWS) program. Cornerstones of this effort include the Outcome Improvement Project that ties some local funding to improved outcomes and a waiver to use federal funds on preventive services that reduce the need for foster care placements. The Governor's Budget proposes to continue the significant investments made to date, with the expectation that the California Child Welfare Council created by Chapter 384, Statutes of 2006 (AB 2216) will help to maximize these investments through increased coordination of the many agencies and departments that serve children and families involved with CWS.

Licensing

The Administration has made significant investments and enacted legislation to better protect Californians and to improve access to necessary services:

- Enacted Chapter 647, Statutes of 2006 (SB 1301) to increase patient safety, improve oversight, and help mitigate significant health care costs associated with medical errors by requiring reporting of serious medical errors to the DHS and establishing time frames for both the reporting and follow-up investigations. The Governor's Budget provides $7.2 million and 42.7 positions to implement this important legislation.
- Enacted Chapter 526, Statutes of 2006 (SB 739) to improve quality of care and help reduce costs associated with infections patients acquire while at a health care facility. This bill requires the DHS to develop and implement a health care associated infections surveillance and prevention program, establishes reporting requirements, requires hospitals to develop and implement standards to prevent infections and the spread of influenza, and requires hospitals to plan for pandemic influenza. The Governor's Budget provides $2.0 million and 13.3 positions to more effectively prevent health care-acquired infections.
- Rebuilt health facility licensing programs and strengthened oversight of health and human services facilities to better protect vulnerable Californians by augmenting licensing programs by more than $4.1 million and 27.1 new staff in 2007-08.
- Strengthened the state's oversight of health care facilities by enacting Chapter 895, Statutes of 2006 (SB 1312) to require the DHS to monitor nursing home compliance

with both state and federal requirements and to support improved patient safety by authorizing financial penalties when a hospital commits a serious health and safety violation.

- The Budget Act of 2006 included $6.7 million ($6 million General Fund) and 75.8 positions for the Department of Social Services (DSS) to implement a comprehensive licensing reform initiative. The initiative is designed to increase protections for clients in licensed facilities and improve the efficiency and effectiveness of the Community Care Licensing program. This initiative doubled the number of random sample licensing visits annually, formalized training for critical field staff, and implemented a series of administrative proposals to improve the operational efficiency of the licensing program.

Proposed HHS Spending for 2007-08

Change Table HHS-01 displays changes in expenditures for HHSA in various broad categories.

The major workload adjustments required by law for 2007-08 include the following:

- $3.9 billion ($1.6 billion General Fund) for enrollment, caseload and population driven program increases.
- $357.1 million ($216.7 million General Fund) for statutorily required cost of living adjustments.
- $230.1 million due to revenue growth in the State-Local Realignment program.
- $8.9 million General Fund to provide millions of low-income Californians with access to discounted prescription drugs.

The policy adjustments included in the Governor's Budget are discussed in Program Enhancements and Other Adjustments.

Program Enhancements and Other Adjustments

The Governor's Budget continues policy and budget recommendations that support improved outcomes for children and youth in foster care, ensure more children are enrolled in no- and low-cost health coverage programs, continue nation-leading efforts to reverse obesity trends, better link the needs of seniors and persons with disabilities with appropriate services, protect the health and safety of Californians served by HHSA-licensed facilities, and ensure

Change Table HHS-01

Health and Human Services Agency - Changes by Broad Categories

	2006-07			2007-08		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
2006 Budget Act	$29,304,197	$45,134,548	32,037.8	$29,296,791	$44,945,710	32,037.8
Workload Adjustments						
Affordable Prescription Drugs	--	--	--	8,926	--	16.1
First 5	--	36,728	--	--	43,881	--
Realignment	--	-1,322	--	--	230,091	--
Enrollment/Caseload/Population	239,432	726,011	285.7	1,620,844	2,212,313	547.2
Employee Compensation/Retirement	110,593	67,152	--	124,245	64,987	--
Statutory Cost-of-Living Adjustments	--	--	--	216,738	140,332	--
Court Orders/Lawsuits	--	--	--	3,850	5,128	5.2
Expiring Programs or Positions	-54	-96	-1.9	-3,988	-17,124	-221.9
One-Time Cost Reductions	--	--	--	-241,013	-60,955	--
Full-Year Cost of New Programs	--	--	--	45,405	1,889	419.1
Other Workload Adjustments	156,003	206,531	72.1	-161,472	800,372	440.8
Totals, Workload Adjustments	$505,974	$1,035,004	355.9	$1,613,535	$3,420,914	1,206.5
Policy Adjustments						
Eliminate Integrated Services for Homeless Adults Program	--	--	--	-54,850	--	--
Health Coverage For Children (SB 437)	142	143	--	16,916	19,014	9.4
Increase Accountability and Improve CalWORKs Outcomes	--	--	--	-324,393	--	--
Increase Federal Funds for Intermediate Care Facilities	--	--	--	-44,000	--	--
Other Health and Human Services Savings Proposals	--	--	--	-146,720	27,763	--
Suspend CalWORKs COLA	--	--	--	-140,332	--	--
Use Average Manufacturers Price for Pharmacy Reimbursement	--	--	--	-44,000	-44,000	--
Use Proposition 98 for Child Care	--	--	--	-268,895	--	--
Use Public Transportation Account Funding for Regional Centers	--	--	--	-143,993	143,993	--
Other Policy Adjustments	14,790	102,401	16.2	100,477	262,623	127.0
Totals, Policy Adjustments	$14,932	$102,544	16.2	-$1,049,790	$409,393	136.4
Infrastructure Adjustments	-$5,282	-$110,253	--	$14,494	$28,039	--
Total Adjustments	$515,624	$1,027,295	372.1	$578,239	$3,858,346	1,342.9
Governor's Budget	$29,819,821	$46,161,843	32,409.9	$29,875,030	$48,804,056	33,380.7

* Dollars in Thousands

the state's public health system is ready to respond to natural and manmade disasters and incidents. At the same time, the Governor's Budget recognizes the need to structure programs and services to promote improved outcomes as cost-effectively and efficiently as possible.

Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) leads the state's efforts to reduce alcoholism, drug addiction, and problem gambling. The department is responsible for administering funding to local governments, certifying, licensing, monitoring and auditing alcohol and other drug programs, and developing and implementing prevention programs and strategies.

The Governor's Budget includes $662.8 million for the DADP, a net decrease of $11.5 million ($8.4 million General Fund) from the revised 2006-07 budget and $4.4 million ($4.1 million General Fund) below the Budget Act of 2006. This decrease is in part attributable to $25 million in savings from drug treatment programs, which is discussed below.

Proposition 36 and the Substance Abuse Offender Treatment Program

Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA), was approved by the voters on November 7, 2000. Under the SACPA, first or second time nonviolent adult drug offenders who use, possess, or transport illegal drugs for personal use receive drug treatment rather than prison time. The 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. However, it has become clear that SACPA must be reformed to improve accountability and increase the number of persons who successfully complete treatment.

The Budget Act of 2006 reauthorized funding for Proposition 36 on the condition that program reforms sought by the Administration were included. Reforms were approved and included flash incarceration, improved judicial oversight of offenders diverted to substance abuse treatment in lieu of incarceration, and expanded options for offender management. However, these reforms have been suspended by judicial injunction, and resolution of this legal challenge remains unclear.

The Budget Act of 2006 also authorized $25 million for the Substance Abuse Offender Treatment Program (OTP), which is intended to enhance treatment services for Proposition 36 offenders. The OTP expenditures include residential treatment, drug testing, and drug court model court costs intended to improve outcomes for program clients.

In light of the suspension of the reforms, the Governor's Budget reduces 2007-08 Proposition 36 funding by $60 million and utilizes this funding to provide an increase of $35 million to the OTP and savings of $25 million on a one-time basis. As the OTP contains some of the Proposition 36 reforms sought by the Administration, increasing funding for the OTP will allow the state to implement these and other reforms that will lead to improved program performance and client outcomes. If the reforms to Proposition 36 agreed to by the Legislature are not implemented, the Administration will revise its budget proposal in the May Revision to move all remaining Proposition 36 funding to the OTP.

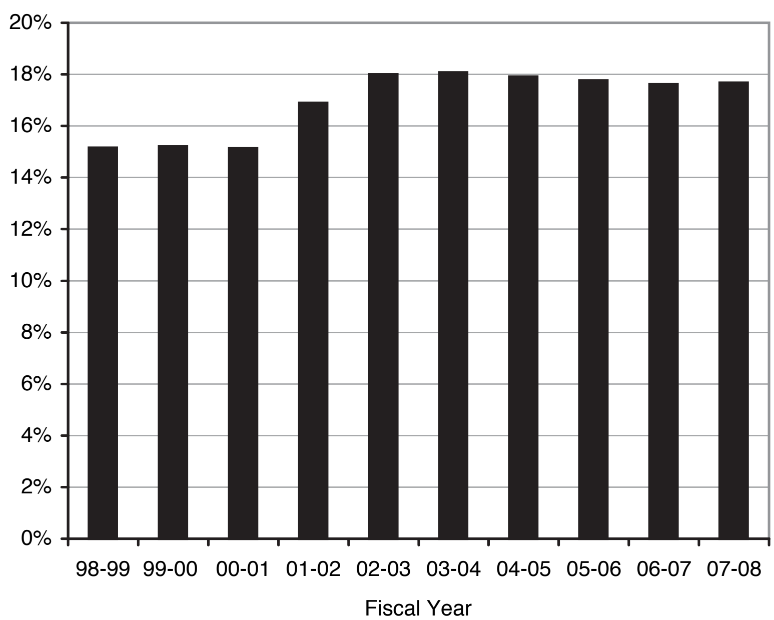
Department of Health Care Services

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

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. Medi-Cal serves an estimated 6.6 million people each year, or more than one in six Californians (see Figure HHS-03).

Figure HHS-03
Average Monthly Medi-Cal Eligibles as a Percentage of California Population



Federal law requires Medi-Cal to provide basic services, such as doctor visits, laboratory tests, x-rays, hospital inpatient and outpatient care, hospice, skilled nursing care and early periodic screening, diagnosis and treatment services, for children until age 21, and federal matching funds are available for numerous optional services. California offers virtually all optional benefits and provides more optional services than any other large state to categorically eligible and medically needy individuals. These services include outpatient drugs, adult dental services, optometry and occupational therapy. As a result, Medi-Cal provides more comprehensive benefits than most employer-funded comprehensive health care programs. 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.

2006-07 Expenditures

Medi-Cal expenditures are estimated to be $35.5 billion ($13.6 billion General Fund), a General Fund increase of 6.3 percent above the budgeted 2005-06 level. This increase is due primarily to increased caseloads and costs for services. General Fund expenditures for 2006-07 are estimated to be $128 million less than the Budget Act of 2006, due mainly to lower than anticipated costs for Medicare Part A and B premium and Part D "clawback" payments, changes in the timing of hospital payments and higher than anticipated savings in the Adult Day Health Care program as a result of the moratorium on new facilities and success in identifying facilities that are providing inadequate care or billing improperly. Figure HHS-04 displays year-to-year comparisons of Medi-Cal costs and caseload.

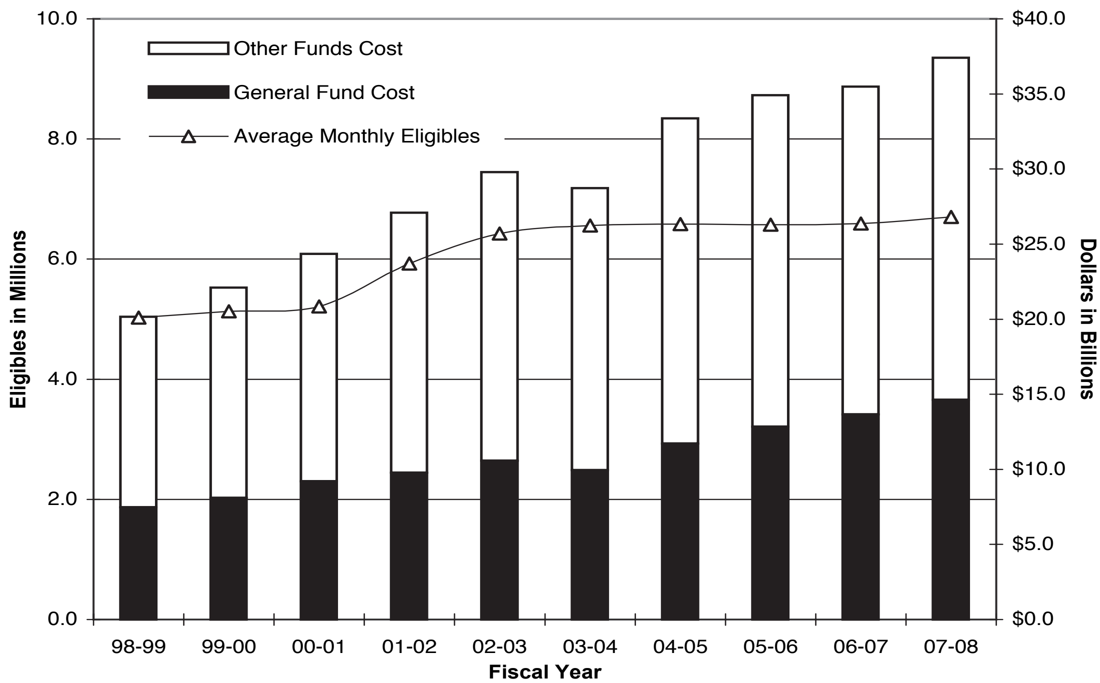
2007-08 Expenditures

The Governor's Budget includes $37.4 billion ($14.6 billion General Fund), an increase of $1.9 billion ($979.8 million General Fund) above the revised 2006-07 budget and a net increase of $2.3 billion (an increase of $852 million General Fund) from the Budget Act of 2006. The General Fund increase primarily reflects increases in caseload and cost per eligible person. Figure HHS-05 displays annual General Fund costs per average monthly eligible beneficiary.

Other departments have programs that are eligible for federal Medicaid reimbursement, such as the DDS. Federal funding for these programs is included in Medi-Cal expenditure totals, but state and local matching funds of more than $5.1 billion appear in the budgets for other state agencies or local governments.

Figure HHS-04

Medi-Cal Caseload and Costs, 1998-99 through 2007-08



Note: The large non-General Fund portion of total expenditures reflects disproportionate share and voluntary governmental transfers for hospitals, as well as federal Medicaid funds that flow through the DHS budget to other departments.

Figure HHS-05

Annual Medi-Cal General Fund Cost per Average Monthly Eligible Beneficiary

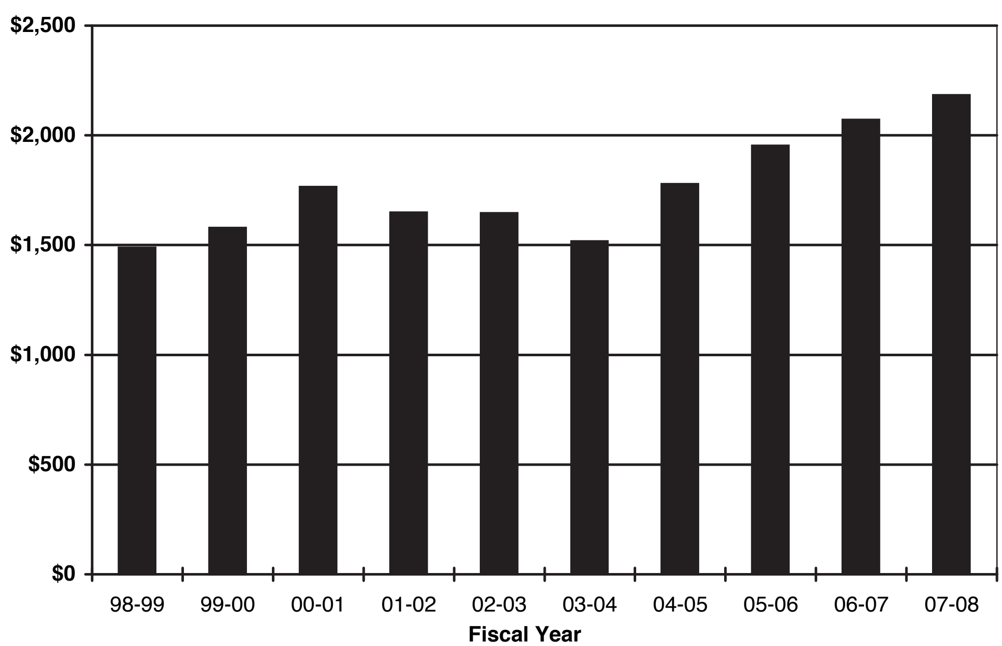
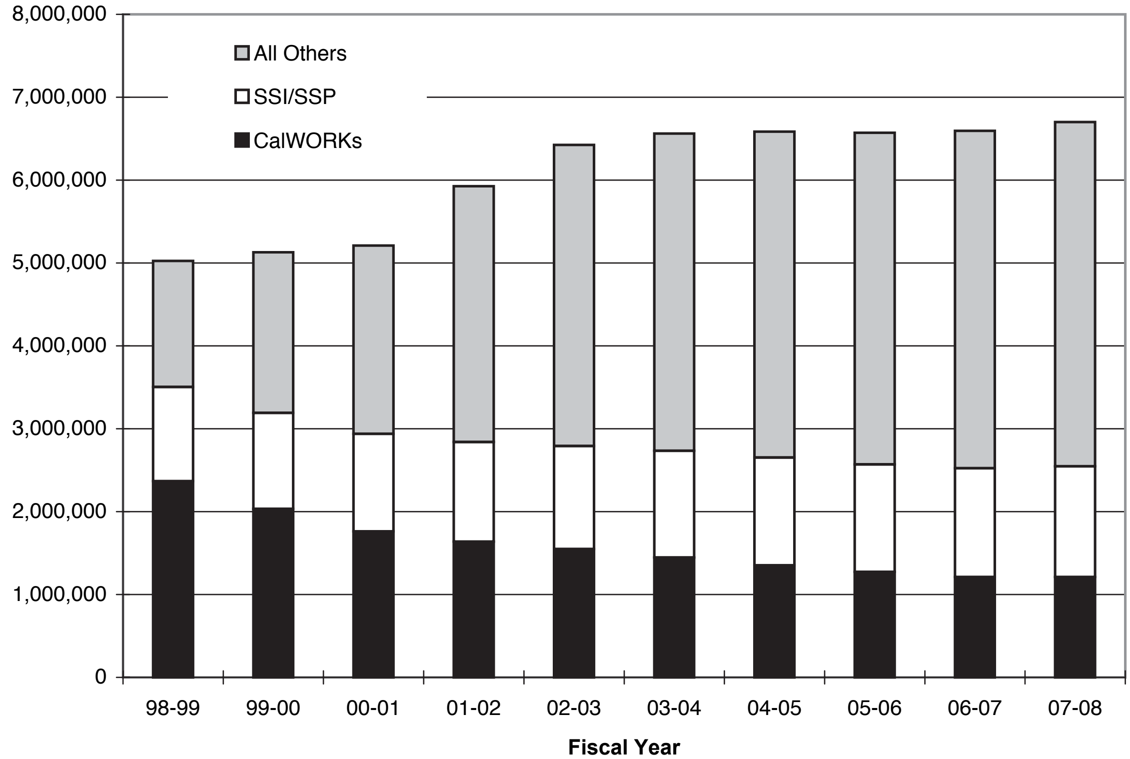


Figure HHS-06

Medi-Cal Caseload by Eligibility Category



Caseload

Average monthly caseload is forecast to be 6.7 million persons in 2007-08, an increase of approximately 107,400 people, or 1.6 percent, compared to 2006-07. This overall increase compares to an expected 2.5-percent increase in the state's population for the same period.

The number of people enrolled in Medi-Cal through their public assistance cash grant eligibility has been declining since 1995. These enrolled individuals will represent 38 percent of all Medi-Cal enrollees in 2007-08. Overall caseload is increasing, and the portion comprised of seniors and persons with disabilities is expected to increase by 2.9 percent, to approximately 1.7 million beneficiaries in 2007-08. Figure HHS-06 reflects Medi-Cal caseload by eligibility category.

Figure HHS-07 shows federal data from 2005-06 (the most recent information available) for the ten most populous states. By percentage of state population, California served about 17.7 percent of state residents, exceeded only by New York. California has one of the lowest

Figure HHS-07

Federal Medicaid Program - Interstate Comparisons
Ten Most Populous States
Fiscal Year 2005-06

	Medicaid as a Percentage of State's Budget	Average Monthly Eligibles as a Percentage of Total Population	Expenditures, Total Funds (Dollars in Millions)	Medicaid Enrollment, June 2006 (Thousands)	Expenditures Per Eligible	Federal Sharing Ratio (FMAP)
All States	22.2	13.9	$297,057	41,146	$7,220	
California	19.5	17.7	$35,936	6,388	$5,626	50.0
Texas	25.2	11.9	$17,702	2,708	$6,536	60.7
New York	29.0	20.5	$30,209	3,952	$7,644	50.0
Florida	22.5	11.9	$14,706	2,092	$7,031	58.9
Illinois	26.8	12.7	$12,492	1,612	$7,750	50.0
Pennsylvania	32.1	13.3	$17,622	1,658	$10,630	55.1
Ohio	24.3	13.3	$13,439	1,522	$8,828	59.9
Michigan	20.5	13.4	$8,566	1,366	$6,269	56.6
Georgia	23.4	14.9	$6,926	1,326	$5,225	60.6
New Jersey	21.0	8.9	$8,943	777	$11,516	50.0

Sources: National Association of State Budget Officers, the US Census Bureau, and the Kaiser Commission on Medicaid and the Uninsured.

average cost-per-recipient rates in the nation: $5,626 per beneficiary, versus a national average of $7,220 per beneficiary.

California has achieved this relatively low-average cost primarily through negotiated hospital and drug rebate contracts, a high level of utilization review, extensive prepayment controls, extensive anti-fraud efforts and conservative provider rate reimbursements. Further, some program expansion populations, such as working parents and children, have resulted in a lower cost per eligible person.

Pharmaceuticals

During the last few years, the cost of drugs has increased dramatically, and pharmaceutical costs have become a significant component of all health care costs. Technological advances in the development of new drugs, increased advertising of new and more expensive drugs and expedited federal approval of new drugs have contributed to rising costs. To control costs, the Medi-Cal program utilizes contracts for drugs and has a state rebate program that is projected to secure approximately $579.4 million in drug savings in 2006-07 and

$615.2 million in drug savings in 2007-08. Net drug costs in the program are projected to be $881 million General Fund in 2006-07 and $1.0 billion General Fund in 2007-08.

To help contain the increase in prescription drug costs and align the program with federal requirements, the Governor's Budget proposes switching the basis used to establish the drug reimbursement component of pharmacy claims in the Medi-Cal program from the Average Wholesale Price (AWP) to the Average Manufacturer Price (AMP). The AMP provides a lower cost basis through its relation to the actual costs of production, thus minimizing potential cost shifting to Medi-Cal from other drug purchasers and limiting the potential for price fixing. Use of the AMP is consistent with federal requirements and will result in General Fund savings of $44 million.

Managed Care

The Medi-Cal Managed Care Program is a comprehensive, coordinated approach to health care delivery designed to improve access to preventive primary care, improve health outcomes and control the cost of medical care. Approximately 3.3 million Medi-Cal beneficiaries (half of the people receiving Medi-Cal benefits and services) are currently enrolled in managed care plans. Managed care enrollment is projected to remain at 3.3 million enrollees through 2007-08. Funding for managed care plans will be $6.2 billion ($3.2 billion General Fund) in 2007-08.

Managed care includes three major health care delivery systems: the Two-Plan Model, Geographic Managed Care (GMC) and County Organized Health Systems (COHS).

Approximately 2.4 million Californians, or 73 percent of Medi-Cal managed care beneficiaries, are enrolled in the Two-Plan Model, which offers the choice between a commercial plan selected through a competitive bidding process or the county-sponsored local initiative. The local initiative plan consists mainly of providers who have traditionally served the Medi-Cal population. This model ensures continued participation by "traditional" providers and maximizes the type of providers caring for beneficiaries.

The GMC model allows the state to contract with multiple managed care plans in a single county. The first GMC system was implemented in Sacramento in 1994. A second GMC system began operation in San Diego County in 1998-99. Approximately 340,000 beneficiaries are expected to be enrolled in GMC plans in 2007-08.

The COHS model administers a prepaid, comprehensive case-managed health care delivery system. This system provides utilization controls, claims administration and health care services to all Medi-Cal beneficiaries residing in the county. There are five COHS currently in operation serving eight counties. Approximately 572,000 beneficiaries are expected to be enrolled in COHS in 2007-08.

As initiated in the Budget Act of 2005, the state is scheduled to transition the first 4 of 13 additional fee-for-service counties to managed care in 2008.

Program Enhancements and Other Budget Adjustments

Human Papillomavirus Vaccinations (HPV) -The Governor's Budget includes $11.3 million ($5.6 million General Fund) in 2007-08 to provide HPV to approximately 52,000 Medi-Cal-eligible women ages 19 through 26. The United States Food and Drug Administration recently approved this new vaccine, which has been shown to reduce the risk of getting cervical cancer by up to 70 percent.

Rates for Long-Term Care Facilities -The Governor's Budget reflects savings of $14.4 million General Fund by limiting the maximum rate increase for freestanding skilled nursing facilities to 4.5 percent, rather than the maximum 5.5 percent authorized by Chapter 875, Statutes of 2004 (AB 1629).

Nursing Facility A/B Waiver Cap Increase -The Nursing Facility A/B waiver is a federal home- and community-based services waiver that provides services and support to Medi-Cal beneficiaries to allow them to remain safely in their homes and avoid institutional placements. These services are a critical component of the state's efforts to implement the Olmstead court decision. The Governor's Budget provides $9.3 million ($4.6 million General Fund) to reflect cost increases that have occurred since the existing waiver was implemented, raising the Nursing Facility A waiver cap from $24,551 to $29,548, and the Nursing Facility B waiver cap from $35,948 to $48,180, effective July 1, 2007.

Adult Day Health Care Reform -The Governor's Budget includes $4 million ($1.9 million General Fund) and 47 positions to phase in program reforms and develop a new rate methodology to increase California's ability to retain federal funding and help ensure services remain available for qualified beneficiaries, as required by Chapter 691, Statutes of 2006 (SB 1755).

Provider Enrollment Automation Project -The Governor's Budget includes $0.2 million ($0.1 million General Fund) to initiate development of a provider enrollment case and document tracking system. This system will streamline the provider enrollment process, thereby shortening the time it takes to enroll providers in Medi-Cal.

Implementation of Federal Deficit Reduction Act Citizenship Requirements -The Governor's Budget includes $0.6 million ($0.3 million General Fund) and 4.7 positions to focus on implementing new federal requirements. Due to pending federal guidance, the Governor's Budget does not include costs for county level activities nor for any Medi-Cal caseload changes.

Children's Medical Services

Children's Medical Services has implemented a statewide comprehensive Newborn Hearing Screening Program that helps identify hearing loss in infants and guides families to the appropriate services needed to develop communication skills. The Governor's Budget includes $1.5 million General Fund to expand the Newborn Hearing Screening Program to all California hospitals with licensed perinatal services, as required by Chapter 335, Statutes of 2006 (AB 2651).

Department of Public Health

The new Department of Public Health (DPH) is charged with protecting and promoting the health status of Californians through programs and policies that use population-wide interventions. The DPH programs prevent chronic diseases, such as cancer and cardiovascular disease, environmental and occupational diseases and communicable diseases, such as Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome (HIV/AIDS). The DPH licenses and certifies health care facilities; 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. The DPH is responsible for the state's public health disaster and emergency response preparedness. The DPH also operates family health programs, such as the Women, Infants and Children program, maternal, child and adolescent health and genetic disease testing and related services. The DPH is responsible for managing the state's public health information, including vital statistics.

Licensing and Certification

The Licensing and Certification (L and C) program promotes the highest quality of medical care in community settings and facilities by enforcing state licensing and federal certification requirements. The program encourages provider-initiated compliance and quality of care improvement activities, initiates licensing and certification changes to improve cost-effectiveness, promotes partnerships between public and private health care providers to improve quality of care and access to new technologies and responds to California's changing demographics.

The Governor's Budget includes $84.2 million ($6.3 million General Fund) for L and C, which reflects a net increase of $19.3 million (a decrease of $10.1 million General Fund) above the Budget Act of 2006. The Governor's Budget includes:

- Accelerated implementation of the statutory requirement for the program to become fee-supported, resulting in General Fund savings of $7.2 million in 2007-08 and $3.6 million in 2008-09.
- $7.2 million L and C Program Fund and 42.7 positions to implement Chapter 647, Statutes of 2006 (SB 1301) related to the reporting of and follow up on adverse events in hospitals.
- $2.5 million L and C Program Fund and 15.2 positions to conduct periodic licensing surveys of long-term care facilities, pursuant to Chapter 895, Statutes of 2006 (SB 1312).
- $0.7 million ($0.4 million L and C Program Fund and $0.4 million Federal Funds) and 5.7 positions to provide legal and administrative support for the 155.5 new L and C staff included in the Budget Act of 2006.
- $0.2 million and 1.4 positions in DPH and $0.5 million ($0.3 million General Fund) and 4.3 positions in DHCS to ensure hospitals apply fair pricing to uninsured and underinsured patients, pursuant to Chapter 755, Statutes of 2006 (AB 774).

Genetic Diseases

The Genetic Disease Branch, within Primary Care and Family Health, screens newborns and pregnant women for genetic and congenital disorders in a cost-effective and clinically efficient manner. The screening programs provide testing, follow-up and early diagnosis of disorders to prevent adverse outcomes or minimize the clinical effects of such disorders.

The Governor's Budget includes $118.7 million from the Genetic Disease Testing Fund, a net increase of $21.0 million above the Budget Act of 2006. The Governor's Budget includes $4.2 million from the proposed Birth Defects Monitoring Fund, $16.1 million from the Genetic Disease Testing Fund and 5.7 positions to implement Chapter 484, Statutes of 2006 (SB 1555), which expands research efforts and prenatal screenings for birth defects.

Public and Environmental Health

Public and environmental health programs protect the health and safety of consumers served by various licensed or regulated facilities and services. The Governor's Budget provides $2.9 million from a variety of fee-supported special funds and 23.8 positions to address increased workload and improve the timeliness of the licensing and inspection of drug and medical device manufacturers and retailers, x-ray machines, small water systems, water system operators and food canneries. In addition, the Governor's Budget includes:

- $2.1 million General Fund and 8.5 positions to enhance the state's response capabilities to foodborne illnesses such as E. coli. State public health officials provided extensive investigative and laboratory support as a result of recent E. coli and other foodborne illness outbreaks, and given the health and economic impact of these incidents, the Administration believes it is important to secure adequate resources to quickly respond to and investigate the source of future outbreaks. This funding will establish trained investigator teams to investigate foodborne illnesses and outbreaks and enhance the state's capacity to test food and environmental samples.

- $2.0 million General Fund to provide additional local assistance funding to increase surveillance staff for HIV reporting activities and help California retain critical federal funding. Chapter 20, Statutes of 2006 (SB 699) requires health care providers and laboratories to report cases of HIV to local health departments using patient names and requires local health departments to report unduplicated HIV cases by name to the DPH. These requirements align state law with federal requirements. Prior to enrollment of Chapter 20, the state used a code-based system. This funding will accelerate the conversion process necessitated by these new data collection and reporting requirements to support the state's continued receipt of $50 million in federal grants.

- $1.6 million General Fund, $0.4 million L and C Program Fund and 13.3 positions to implement the Hospital Infectious Disease Control Program, pursuant to Chapter 526, Statutes of 2006 (SB 739). Infectious diseases in hospitals are estimated to cost the state $3.1 billion annually. This proposal will implement measures designed to prevent various hospital-associated infections by providing DPH with resources to develop infection control guidelines, provide consultation with health care facilities to implement the guidelines, conduct epidemiological and statistical support on health care infection data and perform laboratory analysis of hospital-associated infections, illnesses and outbreaks.

- $1.2 million General Fund and 2.8 positions for the DPH to begin implementation of an environmental contaminant biomonitoring program, pursuant to Chapter 599, Statutes of 2006 (SB 1379). This funding will support a contract to develop a sampling design and establish parameters for this program. This proposal is a collaborative effort that also includes $0.2 million General Fund for the Office of Environmental Health Hazard Assessment and $0.1 million General Fund for the Department of Toxic Substances Control.

Managed Risk Medical Insurance Board

The Managed Risk Medical Insurance Board (MRMIB) administers the Healthy Families Program (HFP), the Access for Infants and Mothers (AIM) program, the Major Risk Medical Insurance Program (MRMIP) and the County Health Initiative Matching Fund Program. These four programs provide health care coverage through private health plans to certain populations without health insurance. The MRMIB develops policy and recommendations on providing health care insurance to the approximately 6.6 million Californians who are estimated to go without health coverage at some point each year.

The Governor's Budget includes $1.3 billion ($394.7 million General Fund) for MRMIB, an increase of $82.5 million ($32.7 million General Fund) above the revised 2006-07 budget and $87.8 million ($24.4 million General Fund) above the Budget Act of 2006. This increase is due primarily to enrollment growth in the HFP.

Healthy Families Program

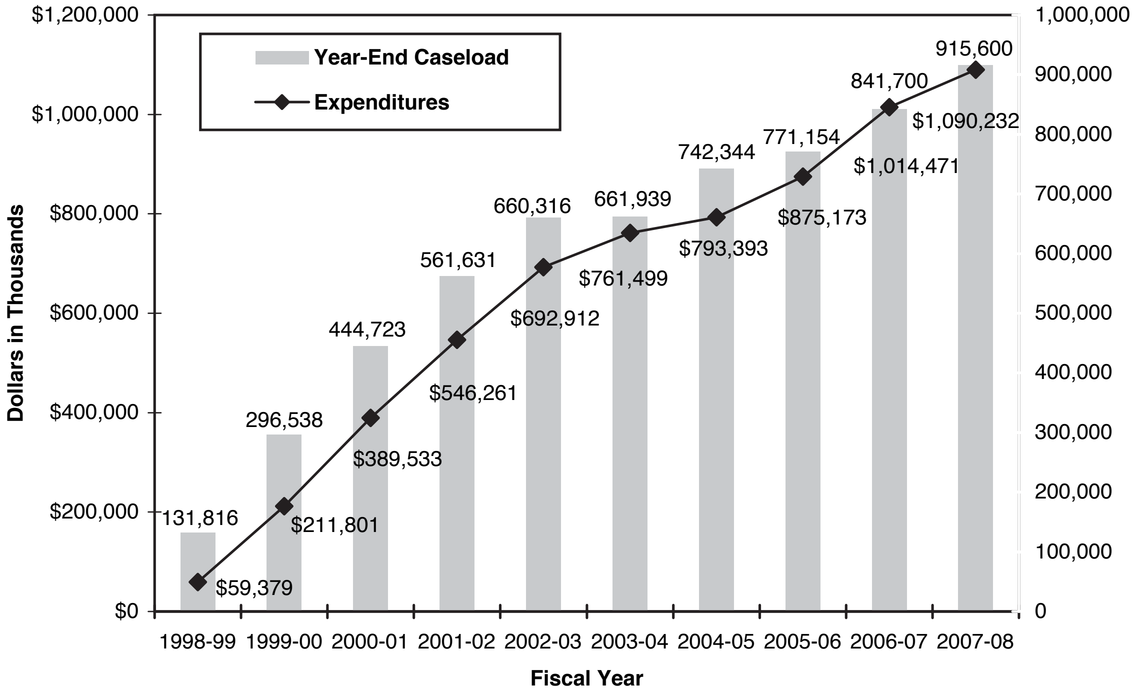
The HFP is a subsidized health coverage program for children in families with low- to moderate-income who are ineligible for no-cost Medi-Cal. This program, established in 1998, provides low-cost medical, dental and vision coverage to eligible children from birth to age 19. HFP expenditures are projected to grow from revised expenditures of $1.0 billion ($360 million General Fund) in 2006-07 to $1.1 billion ($392 million General Fund) in 2007-08, an increase of $32 million General Fund, or 8.9 percent. This increase is primarily the result of enrollment that is projected to grow from 841,700 by year-end 2006-07 to 915,600 in 2007-08 for a total increase of 73,900 children, or 8.8 percent. Figure HHS-08 displays historical caseload and funding growth for the HFP.

Access for Infants and Mothers Program

The AIM program provides low-cost, comprehensive health coverage to uninsured pregnant women with family incomes between 200 and 300 percent of the federal poverty level. This coverage extends from pregnancy to 60 days postpartum. Children born to AIM mothers are automatically enrolled in the HFP. Expenditures for this program are projected to increase from $127.5 million ($60.4 million Perinatal Insurance Fund) in 2006-07 to $138.7 million ($60.7 million Perinatal Insurance Fund) in 2007-08, for a total increase of $11.2 million, or 8.8 percent. This change in total expenditures primarily is due to increased enrollment of women from 12,097 in 2006-07 to 13,912 in 2007-08, an increase of 1,815 women, or 15 percent. Costs for 2006-07 reflect $7.2 million in Proposition 99 funds needed to repay the federal government for its share of program subscriber revenues that were not offset against claims previously submitted for 2004-05 and 2005-06.

Figure HHS-08

Healthy Families Program Caseload and Expenditures



Major Risk Medical Insurance Program

The Governor's Budget includes $40 million for MRMIP, which provides health care coverage to medically high-risk individuals and the medically uninsurable who are denied coverage through the individual health insurance market. Program enrollment is "capped" at the level of annual funding provided. The program currently provides benefits to a total of 8,700 people, with 80 people on the waiting list primarily serving their required post-enrollment waiting period. Pursuant to Chapter 794, Statutes of 2002, subscribers who have been in the program for 36 months are transitioned into guaranteed-issue coverage offered by health plans in the individual insurance market.

The Governor's Budget redirects $0.2 million from direct services to fund 2 positions to expand the level of accountability and oversight of the administrative vendor, upgrade and streamline existing administrative vendor contract functions, and develop financial and data management improvements to ensure better fiscal accountability and the maximization of available funding.

Department of Developmental Services

The Department of Developmental Services (DDS) is responsible under the Lanterman Developmental Disabilities Services Act (Lanterman Act) for ensuring that more than 200,000 persons with developmental disabilities receive the services and support they need to lead more independent and productive lives and to make choices and decisions about their lives.

The Governor's Budget includes $4.3 billion ($2.6 billion General Fund) for the DDS, a net increase of $160.3 million ($38.3 million General Fund) above the revised 2006-07 budget and $241.6 million ($109.6 million General Fund) above the Budget Act of 2006.

Developmental Centers

Developmental centers are licensed and certified 24-hour, direct-care facilities that provide services to persons with developmental disabilities. In 2006-07, there is an increase of $27.9 million ($18.4 million General Fund) from the Budget Act of 2006 primarily due to adjustments for employee compensation and the current status of the closure process of Agnews Developmental Center. The time required for acquisition and completion of housing will result in a more gradual transition into the community for both consumers and state employees who provide direct care services. The increase in the developmental center population also reflects a reduction in the projected transition of Agnews residents into the community from 119 to 113 residents during the current year. Available savings in the regional centers' budget will be transferred to fund higher developmental center costs.

The Governor's Budget proposes $712.3 million ($393.6 million General Fund) and 7,364.1 positions, a net decrease of $18.4 million ($9.9 million General Fund) and 368 positions from the revised 2006-07 budget. The change primarily reflects a reduction in the developmental center population as consumers transition into the community. The developmental center population is projected to decline, on average, by 245 consumers, from 2,834 to 2,589 in 2007-08, a decrease of 8.6 percent.

Agnews Developmental Center Closure

The Governor's Budget continues to provide funding to achieve closure of Agnews Developmental Center in June 2008. In 2006-07, there is a net decrease of $2.8 million ($0.6 million General Fund increase) due to the anticipated reduction in placements into the community from 119 residents to 113 residents and a more gradual transition of state employees to community-based services. This includes an increase of $0.4 million ($0.2 million General Fund) for an addition of ten positions to facilitate the consumer transition planning process. The regional centers' budget is projected to decrease by

$1.0 million ($0.2 million General Fund increase) as a result of the reduced placements into the community.

For 2007-08, the Governor's Budget includes a net decrease of $10.4 million ($5.6 million General Fund) due to the anticipated movement of 145 consumers from Agnews into the community and costs associated with moving an estimated 10 consumers to other developmental centers. The net decrease also includes funding adjustments related to staff costs for closure, facility preparation, and an addition of ten positions to facilitate the consumer transition planning process. The regional centers' budget is projected to increase by $50.7 million ($37.9 million General Fund) for the costs of providing services to the additional consumers in the community.

Salary Increases for Medical Services Personnel

The Governor's Budget contains an increase of $12.6 million ($12.4 million General Fund) to bring salaries for classifications providing medical services to within 18 percent of the Plata court-ordered salaries for the same classifications at the California Department of Corrections and Rehabilitation (CDCR). This will allow hiring and retention of medical staff at developmental centers.

Regional Centers

The 21 regional centers throughout California are nonprofit corporations contracted by DDS to purchase and coordinate services mandated under the Lanterman Act for persons with developmental disabilities. Services include assessment of needs, coordination of services, resource development, residential placement and monitoring, quality assurance and individual program planning assistance. In 2006-07, there is a net increase of $76.3 million ($51.8 million General Fund) for regional centers due primarily to an increase in the number and cost of services provided to consumers, especially older more medically fragile consumers and those with autism. Costs also are driven by an increase in the minimum wage and community placement plans and placement continuation. There is a decrease of 70 consumers in the community caseload in 2006-07, from 212,225 to 212,155 consumers.

For 2007-08, the Governor's Budget proposes $3.6 billion ($2.2 billion General Fund) to support the regional centers, a net increase of $251.3 million ($46.5 million General Fund) from the revised 2006-07 budget. The change primarily reflects increases in populations, the cost of community care facilities, day programs, support services, miscellaneous services and in the minimum wage. The regional center community population is projected to increase by 8,445 consumers, to 220,600 consumers in 2007-08, which includes 245 developmental center residents who will move into the community.

Non-Medical Transportation and Day Programs

The DHCS is pursuing a revision to the Medi-Cal state plan to include coverage and payment for day program and non-medical transportation services for regional center consumers with developmental disabilities residing in intermediate care facilities. These services currently are provided and paid for by the regional centers solely through state General Fund dollars. The Governor's Budget includes a reduction of $44 million General Fund in the DDS budget as a result of this change.

One-Time Use of Public Transportation Account Funding for Regional Center Transportation Services

The regional centers contract with vendors to provide a number of services to consumers, including transportation services. Transportation services include those provided by public transit, specialized transportation companies and family members or friends. These services allow persons with developmental disabilities to participate in programs and other activities identified in their Individual Program Plans. The Governor's Budget includes $144 million in Public Transportation Account funding on a one-time basis in 2007-08 to replace the General Fund share of regional center transportation costs.

Minimum Wage Increase

On January 1, 2007, California's minimum wage increased by $0.75 to $7.50 per hour. This increase will impact entry-level direct care staff who provide services in community care facilities, day and work activity programs and respite care. The Governor's Budget reflects costs of $26.4 million ($18.3 million General Fund) in 2006-07 and $53.3 million ($37.2 million General Fund) in 2007-08 to fund this increase.

On January 1, 2008, California's minimum wage will increase by an additional $0.50 to $8.00 per hour. The Governor's Budget reflects increased costs of $18.1 million ($12.6 million General Fund) to fund this increase.

Continuation of Temporary Cost Containment Measures

The temporary cost containment measures already in effect, such as rate freezes on targeted program categories, the family cost participation program, and the rate standardization project, will continue in 2007-08.

Department of Mental Health

The Department of Mental Health (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 mental hospitals. The Governor's Budget includes $4.8 billion ($1.9 billion General Fund) for the DMH, a net increase of $652.8 million (a decrease of $217.2 million General Fund) from the revised 2006-07 budget and an increase of $1.1 billion ($201.1 million General Fund) from the Budget Act of 2006.

This net change primarily reflects continued growth in the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program, the impact of Proposition 83, also known as Jessica's Law, elimination of the Integrated Services for Homeless Adults with Serious Mental Illness program, and the removal of one-time costs for prior-year AB 3632 mandate claims.

Proposition 83 (Jessica's Law)

Jessica's Law, approved by California voters in November 2006, enhances public safety by changing the laws that provide for the commitment, control and supervision of sex offenders. Jessica's Law has the potential to increase sexually violent predator (SVP) commitments to state hospitals from an average of 49 to 440 annually. The population increase of SVPs in state hospitals is reflected in the increased costs at state hospitals.

By expanding the definition of a sexually violent offense and lowering the current two victim criterion to one victim, Jessica's Law significantly increases the number of case referrals to DMH. The number of cases referred to DMH for screening is expected to increase almost tenfold (from 582 to 5,528 cases annually). The Governor's Budget includes $25.0 million General Fund for additional SVP contractor evaluations and expert court testimonies, $24.1 million General Fund for state hospitals to support 440 expected SVP commitments and $449,000 General Fund for Coalinga State Hospital to support the increase in SVP referrals. The budget also includes $4.3 million General Fund and 41.8 positions at DMH headquarters to contract, monitor, record and report information for the multiple evaluations and expert court testimonies required by Jessica's Law.

To immediately begin implementing Jessica's Law, the Governor's Budget reflects a current-year augmentation of $15.2 million General Fund for the increased cost of contractor evaluations and expert court testimonies, $12.1 million General Fund for state hospitals to support 271 new SVP commitments, $927,000 General Fund and 21 positions at DMH headquarters to be phased in during the year, and $678,000 General Fund and 7.2 positions for Coalinga State Hospital to be phased in during the year to support the increase in SVP referrals. The CDCR section discusses the impacts of Jessica's Law on that department.

Community Mental Health Services

The Administration recognizes the value of providing mental health services in communities to prevent commitment to a state hospital or incarceration. The Governor's Budget includes $3.4 billion ($762.9 million General Fund), an increase of $927.6 million ($47.4 million General Fund) compared to the revised 2006-07 budget, for community mental health services.

Early and Periodic Screening, Diagnosis and Treatment Program

The Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program is an entitlement program for children and adults under age 21. The program provides services to approximately 185,571 Medi-Cal-eligible children and young adults to ameliorate a diagnosed mental illness.

In 2006-07, there is an increase in the General Fund appropriation of $302.7 million that includes a deficiency request related to EPSDT of $243.0 million for unpaid county claims from prior years. The federal reimbursement authority is increased by $275.7 million to reflect an adjustment to the funding level for EPSDT services and to pay prior years claims. In 2007-08, there is an increase of $92.7 million General Fund and $95.1 million federal reimbursement authority above the Budget Act of 2006 attributable to increases in the cost and volume of claims, including the effect of the Mental Health Services Act (Proposition 63) on EPSDT services provided.

The Department of Finance's Office of Statewide Evaluations and Audits (OSAE) is reviewing EPSDT estimating methodology, and the Administration will have a proposal to improve this methodology in the spring. The OSAE also is assisting the DMH in an internal control review of DMH's system and processes.

Integrated Services for Homeless Adults with Serious Mental Illness

The Governor's Budget proposes elimination of the Integrated Services for Homeless Adults with Serious Mental Illness program. This program currently provides funding to local mental health agencies to act as the single point of responsibility for the comprehensive service needs of individuals who are homeless or at risk of homelessness or incarceration and have a serious mental illness. Similar services are available to individuals under Proposition 63. Eliminating General Fund for these programs results in annual ongoing local assistance savings of $54.9 million. Significant increases in the EPSDT program in both current and budget year allow for the elimination of this program while still meeting the Proposition 63 maintenance-of-effort requirements.

Early Mental Health Initiative

The Governor's Budget includes a $5 million increase in Proposition 98 General Fund to augment the budget for the Early Mental Health Initiative (EMHI), which provides grants to local education agencies for supportive, non-clinical mental health intervention and prevention services to children (grades K-3) who have mild to moderate school adjustment difficulties. This augmentation will increase total program funding to $15 million in 2007-08.

State Hospitals

State hospitals operated by DMH provide long-term care and services to the mentally ill. The General Fund supports judicially committed, Penal Code and SVP patients, while counties fund other civil commitments. In 2006-07, there is an increase of $98.1 million ($95.2 million General Fund) and 269.9 positions for state hospitals due primarily to the impact of Jessica's Law and a technical correction to the level-of-care staffing included in the Budget Act of 2006. The Governor's Budget includes $1.2 billion ($1.1 billion General Fund) and 10,898.8 positions for 2007-08, an increase of $114.8 million ($88.3 million General Fund) and 1,020.3 positions from the revised 2006-07 budget, due primarily to a projected increase of 440 SVP commitments and resources to comply with the Civil Rights for Institutionalized Persons Act and Jessica's Law. The patient population is projected to reach a total of 6,544 in 2007-08.

The Governor's Budget includes funding to address the second—and final—phase of the Administration's commitment to implementing a fully functioning hospital police department at Patton State Hospital. An additional $1.7 million General Fund and 28.3 positions will establish 24-hours-a-day, 7 days-a-week coverage to ensure the safety and security of patients, hospital staff and the general public.

Special education and related services must be provided to all eligible pupils who reside in state hospitals and psychiatric programs operated by DMH. The Governor's Budget includes $3.4 million to provide education services to adolescents at Metropolitan State Hospital (MSH). Due to the declining adolescent population at MSH, coupled with the incentive to place youth in the community, the DMH is examining the need to continue operating this unit. The DMH is collaborating with counties regarding their need for these beds and has a contract in place to continue educational services for the current school year.

Continued Activation of Coalinga State Hospital

Coalinga State Hospital opened in September 2005 and began admitting SVP patients transferred from Atascadero State Hospital. However, patient transfers have been slower than anticipated due to difficulty in filling staff positions at Coalinga. The DMH has been working to address the delayed hiring of level-of-care staff necessary for bed activation by continuing aggressive recruitment efforts throughout California and the United States, using recruitment and retention differentials where appropriate and contracting for nursing registry services as needed. As patient transfers to Coalinga increase, additional patients currently awaiting transfer from local jails will be admitted to the state hospital system. The Administration estimates that the population at Coalinga will be 1,362 patients in 2007-08, an increase of 645 patients over the Budget Act of 2006.

Coleman Court Order

In June 2006, the director of the DMH was named as a co-defendant in Coleman v. Schwarzenegger, the federal lawsuit claiming that the CDCR is not providing adequate mental health services to inmates. This lawsuit will require the DMH to participate in Coleman hearings, review and comment on monitoring reports, objections, stipulations and court orders and provide information as requested by the court regarding California hospitals and psychiatric programs. The Governor's Budget includes an increase of $145,000 for legal resources to assist with this effort.

In addition, the Coleman decision requires that mental health classifications in CDCR receive salary increases beginning in the current year. The Governor's Budget includes $3.9 million General Fund in 2006-07 and $5.5 million General Fund in 2007-08 to increase the salaries of the same classifications of staff working in DMH psychiatric programs operating within Salinas Valley State Prison and the California Medical Facility at Vacaville.

Salary Increases for Medical Services Personnel

The Governor's Budget contains an increase of $7.1 million ($6.9 million General Fund) to bring salaries for classifications providing medical services at the DMH to within 18 percent of the Plata court-ordered salaries for CDCR. This will allow hiring and retention of medical staff at state hospitals.

Mental Health Services Act (Proposition 63)

Revenues to the Mental Health Services Fund are projected to increase over previous estimates by $312.1 million in 2006-07 and $495.7 million in 2007-08, for a total estimate of $1.6 billion in 2006-07 and $1.8 billion in 2007-08.

Funds are continuously appropriated to the DMH for county implementation of Proposition 63. Almost all counties have completed their community planning process. Counties are in the process of local implementation of the Community Services and Supports component of Proposition 63, which provides additional mental health services to individuals with serious mental illness. The other four components (Child and Adult/Older Adult Services, Education and Training, Capital Facilities and Technology Needs and Innovation) are expected to be implemented by the end of 2007-08.

The Governor's Budget proposes no changes in state administration expenditures for the DMH for Proposition 63. The need for any additional staff and contract funding will be addressed in the spring budget process when more information is available on future needs based upon an updated implementation plan.

Department of Child Support Services

To provide enhanced fiscal and programmatic direction and oversight of child support enforcement activities, Chapters 478 and 480, Statutes of 1999, established the Department of Child Support Services (DCSS). These measures authorized the implementation of a single, statewide child support system comprised of local child support agencies under the supervision of the new department. The DCSS assumed responsibility for child support enforcement activities in January 2000. The child support program promotes the well-being of children and the self-sufficiency of families by assisting both parents to meet the financial, medical, and emotional needs of their children through the delivery of quality child support establishment, collection, and distribution services.

The DCSS is designated as the single state agency to administer the statewide program to secure child, spousal, and medical support and determine paternity. The primary purpose of the DCSS is to collect child support payments for custodial parents and their children. The Governor's Budget includes $1.1 billion ($319.8 million General Fund), a decrease of $444.8 million ($265.1 million General Fund) below the revised 2006-07 budget and $372.4 million ($250.2 million General Fund) below the Budget Act of 2006. This decrease is primarily associated with the abeyance of federal automation penalties beginning in 2007-08 and a reduction of one-time payments and system automation costs incurred in 2006-07.

Program Administration

State Administration

The Governor's Budget proposes total expenditures of $45.8 million General Fund and 518.8 positions for state administration of the program. Departmental staff ensures 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 $194.9 million General Fund to fund local agency administrative costs, which is approximately the same level of funding for local program expenditures provided in 2006-07. 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.

Restoring the Loss of Federal Funds

Effective October 1, 2007, the federal Deficit Reduction Act of 2005 (DRA) will eliminate California's ability to claim federal matching funds for earned federal incentive payments. These incentive payments are awarded to all states based upon program performance in a number of areas, such as paternity establishment. The Governor's Budget includes increased funding of $23 million General Fund to maintain the current funding level for local child support agencies.

Child Support Collections

The child support program establishes and enforces court orders for child, spousal, and medical support from absent parents on behalf of dependent children and their caretakers. For display purposes only, the Governor's Budget reflects the total collections received, including payments to families and collections made in California on behalf of other states. The General Fund share of assistance collections is included in statewide revenue projections. Child support collections for 2007-08 are projected to be $2.4 billion ($246.1 million General Fund). Collections for 2006-07 also are estimated to be $2.4 billion ($267.4 million General Fund).

Child Support Automation

Chapter 479, Statutes of 1999, 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 the CCSAS and transitioning all counties onto this new system. The state expects to have the new system completed by 2008-09. The CCSAS project consists of two components: the Child Support Enforcement (CSE) component provides the core automated functionality to manage child support cases, and the State Disbursement Unit (SDU) interfaces with the CSE and processes payments to custodial parties. The state 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 service contract with Bank of America in December 2004 to provide the SDU component of the project.

Elimination of the Federal Penalty

The Governor's Budget reflects California's request for federal certification of the statewide child support automated system and, for the first time since 1998, does not include a General Fund appropriation to pay federal automation penalties. During the certification process, the federal government will hold future penalties in abeyance pending final review of the child support automation system. In 2006-07, the state budgeted $220 million General Fund in penalties for failure to have a single statewide child support automation system. Once the federal government certifies the system, it will reimburse California $198 million, or 90 percent of the state's final penalty payment. Given the current project schedule, the system should be certified by 2008-09, and the Governor's Budget assumes accrual of the penalty reimbursement to 2007-08.

Department of Social Services

The Department of Social Services (DSS) provides aid, service, and protection to children and adults in need of assistance. 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.

The Governor's Budget includes $18.7 billion ($8.9 billion General Fund) for the DSS, a decrease of $329.9 million General Fund from the revised 2006-07 budget and $214.3 million General Fund from the Budget Act of 2006.

California Work Opportunity and Responsibility to Kids

The California Work Opportunity and Responsibility to Kids (CalWORKs) program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, replaced the Aid to Families with Dependent Children program on January 1, 1998. CalWORKs is California's largest cash aid program for children and families and is designed to provide temporary assistance to meet basic needs (shelter, food, and clothing) in times of crisis. While providing time-limited assistance, the program promotes self-sufficiency by establishing work requirements and encouraging personal accountability. The program recognizes the different needs of each county and affords them program design and funding flexibility to ensure successful implementation at the local level.

Total CalWORKs expenditures of $7 billion (state, local, and federal funds) are proposed for 2007-08, including TANF and maintenance-of-effort (MOE) countable expenditures. The amount budgeted includes $4.8 billion for CalWORKs program expenditures within the DSS budget, $136.8 million in county expenditures, $1.9 billion in other programs, and $150.1 million for a CalWORKs program reserve. Other programs include expenditures for the Statewide Automated Welfare System, Child Welfare Services, California Food Assistance Program, State Supplementary Payment, Foster Care, State Department of Education child care (including after school programs), California Community Colleges child care and education services (including fee waivers), DCSS disregard payments, DDS programs, and Cal Grants (see Figure HHS-09). The $1.9 billion in other programs includes expenditures of $203 million counted toward the MOE in excess of the federally-required level, which is described in greater detail below.

After many years of decline, caseload is projected to increase on the natural by a modest amount in 2007-08. Absent the

Figure HHS-09

2007-08 CalWORKs Program Expenditures [1]
(Dollars in Millions)

CalWORKs Program Components	2007-08
In DSS Budget:	
Assistance Payments	$2,492
Employment Services	1,096
County Administration	444
DSS Child Care	514
Kin-GAP	144
Tribal TANF	92
DSS Administration	28
Subtotal	**$4,810**
Other CalWORKs Expenditures:	
Statewide Automated Welfare System	76
Child Welfare Services	246
California Food Assistance Program	8
State Supplementary Payment Program	10
Foster Care	53
State Department of Education Child Care	793
After School Programs	287
California Community Colleges Child Care	15
CCC Education Services	29
CCC Fee Waivers	57
Cal Grants	215
DCSS Disregard Payments	30
Department of Developmental Services	56
County Expenditures	137
Subtotal	**$2,010**
General TANF Reserve	**150**
Total CalWORKs Expenditures	**$6,970**

[1] Detail may not add to totals due to rounding.

program changes described below, the average monthly caseload in this program is estimated to be 468,000 families in 2007-08, a 0.1-percent increase over the 2006-07 projection. The proposed changes to CalWORKs are estimated to reduce the 2007-08 caseload projection to 412,600 families, an 11.7-percent decrease from the 2006-07 estimate.

Impetus for Change

Because many recipients are not working sufficient hours to meet the federal work participation requirements, California's work participation rate has ranged from a high of over 40 percent in 1999 to less than 24 percent currently. In the past, California met the federal requirements due to significant caseload reduction credits allowed under the original federal welfare reform. The federal DRA reauthorized the TANF program and made changes that will require California to increase work participation rates of individuals receiving assistance funded with TANF and matching MOE resources or face substantial fiscal penalties.

Even with the $230 million investment made in the Budget Act of 2006 taken into consideration, full implementation of current policies is not expected to increase work participation rates enough to meet the federal requirement for at least 50 percent work participation among all families. The Governor's Budget proposes to implement changes that place a greater emphasis on work participation and personal responsibility, improve California's ability to meet federal requirements, and increase program efficiencies. These changes are necessary not only to meet the federal work participation rate requirements but also to refocus the program on engaging individuals in work to become self-sufficient. The following key policy objectives continue to serve as a foundation for the Administration's CalWORKs proposal:

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

- Align benefit levels with TANF programs in other states to ensure the long-term viability of the program.

Increase Accountability and Improve CalWORKs Outcomes

California's policy to date has been to limit total CalWORKs spending to only the TANF Block Grant (including carryover balances) and the required MOE amount. However, the Governor's Budget identifies MOE expenditures in excess of the required level to achieve a greater caseload reduction credit, as allowable by the federal government. The DRA expanded MOE-eligible spending to include certain expenditures for non-assistance benefits and services. This allows additional expenditures of $203 million to be counted towards the CalWORKs MOE within the State Department of Education child care and after school programs, increasing California's caseload reduction credit by an estimated 5 percent.

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

- Implement Full Family Sanctions—This proposal strengthens work requirements and recipient accountability by imposing full sanctions for families when the adult continues to not comply with program requirements beyond 90 days. A full family sanction policy will reduce prolonged noncompliance while providing a reasonable timeframe to achieve compliance during which benefits are still available. This component will increase California's work participation rate by 9 percent.

- Modify the Safety Net Program—The current safety net program minimizes the incentive for families to become self-sufficient. This proposal would reward working families by continuing safety net benefits for families beyond their 60-month time limit only if they meet federal work participation requirements. This component will increase the state's work participation rate by 4 percent.

- Consistent Child-Only Benefits—The Administration proposes to provide cash aid for families receiving child-only benefits that are consistent with other CalWORKs families. As such, aid to families receiving child-only benefits will be limited to 60 months. These families include parents or caretakers who are undocumented non-citizens, drug felons or fleeing felons.

- Semi-Annual Reporting—The Administration proposes to modify the process for redetermining benefit levels for CalWORKs and Food Stamp recipients and to change the reporting frequency for recipients from quarterly to semi-annually. This change will simplify the process for both county staff and recipients, will increase the state's ability to track recipients' work participation, and will align California's reporting frequency with that of other states. The goal is to have this component ready for implementation in 2008-09.

To provide recipients sufficient time to comply with work requirements, these reform measures will become effective on November 1, 2007, and are estimated to provide net savings of $324.4 million in 2007-08 and $426 million annually thereafter. With these reforms, the Governor's Budget proposes to maintain the $230 million included in the Budget Act of 2006 to support CalWORKs program improvements, including $90 million for counties to implement program improvements that lead to better outcomes and increased work participation rates for CalWORKs recipients and $140 million to support county administration. The Governor's Budget makes available $40 million in Pay for Performance incentive funds for those counties that achieve improved program outcomes during 2006-07. The combination of CalWORKs reform and county efforts will position counties to increase work participation rates, meet federal requirements, avoid penalties, and successfully move families from welfare to work.

Utilize Proposition 98 Funds to Fully Fund Stage 2 Child Care

Utilizing available Proposition 98 resources in lieu of federal TANF funds to fully fund Stage 2 child care, which is administered by the State Department of Education, maintains child care services while providing significant General Fund relief in CalWORKs. This funding shift will result in savings of $268.9 million in 2007-08 and annually thereafter.

Suspend the July 1, 2007, CalWORKs Maximum Aid Payment Cost-of-Living Adjustment (COLA)

Suspending the 2007-08 COLA will help to alleviate the state's structural deficit without reducing benefits to CalWORKs families. This proposal will result in savings of $140.3 million in 2007-08 and annually thereafter. California's grant levels are currently the highest among the ten most populous states.

Adjust the Single Allocation to Account for Unspent Fraud Recovery Incentives

Savings of $16 million are achieved in 2007-08 through a one-time reduction in the counties' single allocation funding for employment services, child care, and administration. Counties can backfill the reduction with fraud recovery incentive funds previously earned and allocated to counties, but not spent.

Increase Employment Training Fund for CalWORKs

Additional Employment Training Fund revenues are available in 2007-08 to support CalWORKs employment services. This will achieve one-time General Fund savings of $15 million with no impact to recipient families and still allow for an increase in the Employment Training Panel's appropriation compared to the Budget Act of 2006.

Offset General Fund Costs in Child Welfare Services

A portion of the TANF savings generated by the above proposals will be used to offset 2007-08 General Fund costs in the Child Welfare Services (CWS) emergency assistance program by $36.4 million. The availability of $20 million in TANF carryover funds from 2006-07 will increase these General Fund savings to $56.4 million. The use of TANF to fund these CWS expenditures does not negatively impact the state's ability to meet federal work participation requirements.

Supplemental Security Income/State Supplementary Payment

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

The Governor's Budget proposes $3.9 billion General Fund for the SSI/SSP program in 2007-08. This represents a 9.9-percent increase from the revised 2006-07 budget. The caseload in this program is estimated to be 1.3 million recipients in 2007-08, a 2.1-percent increase over the 2006-07 projected level. The SSI/SSP caseload consists of 29 percent aged, 2 percent blind and 69 percent disabled persons. The overall General Fund contribution to SSI/SSP is projected to grow in 2007-08 by $350.1 million from the revised 2006-07 expenditure level.

The Governor's Budget includes $216.7 million General Fund in 2007-08 to provide the January 2008 state SSI/SSP COLA. SSI/SSP recipients will receive grant increases due to a projected 1.2-percent federal COLA and an estimated 4.2-percent state COLA. Beginning in January 2008, monthly grant payment levels are estimated to increase from $856 to $892 for aged or disabled individuals and from $1,502 to $1,565 for aged or disabled couples. With these increases, California's SSI/SSP payment levels for individuals and couples are expected to maintain rankings of second and first in the nation, respectively.

In-Home Supportive Services

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

The Governor's Budget proposes $1.5 billion General Fund for the IHSS program. The average monthly caseload in this program is estimated to be 395,100 recipients in 2007-08, a 5.4-percent increase over the 2006-07 projected level.

Controlling Program Growth

Total IHSS expenditures continue to grow much faster than IHSS caseload. Specifically, General Fund expenditures for the IHSS program are projected to have grown by approximately 147 percent from 1999-00 to 2007-08, while caseload is estimated to have grown by less than 75 percent during the same period. This is predominantly due to an increase in costs per case attributable to wage and benefit increases. The IHSS Quality Assurance Program was implemented in 2004-05 to ensure that individuals receive necessary services consistently and help control costs. While growth in costs initially slowed under this program, savings have not materialized as expected.

Given the state's fiscal constraints, it is necessary to limit the state's share of cost in this program. By maintaining state participation at the combined wage and benefit levels in effect as of January 10, 2007, significant reductions to services can be avoided. Future increases in wages and benefits that are collectively bargained at the local level would be financed by the counties and federal government. Absent this proposal, given the projected growth in statewide revenues, state participation in IHSS wages and benefits would increase from $11.10 per hour to $12.10 per hour in 2007-08. Freezing state participation will result in General Fund savings of $14.1 million by avoiding this increase and lead to significant future cost savings.

Child Welfare Services

The child welfare system in California provides a continuum of services through programs, including CWS, Child Abuse Prevention, Foster Care, Adoption Assistance, and adoptions to children who are either at risk of or have suffered abuse and neglect. The Governor's Budget includes $4 billion ($1.6 billion General Fund) to provide assistance payments and services to children and families under these programs. This is a $94.4 million increase (a decrease of $43.9 million General Fund), or 2.4-percent increase from the revised 2006-07 budget.

CWS has evolved into an outcome-focused program with the implementation of the federal Child and Family Services Review and the new California Outcome and Accountability System. These protocols establish a comprehensive process to measure program performance and track improvement in California's child welfare services delivery system. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served.

The state has made significant improvements by successfully complying with 10 of 14 federal outcome measures it had previously failed. The Governor's Budget maintains last year's investment and includes an additional $5.4 million ($2.9 million General Fund) in 2007-08 for additional programmatic investments designed to ensure the safety of children and improve outcomes. Specifically, these investments include:

- $3.2 million ($2 million General Fund) for probation specific activities related to the implementation and completion of the county system improvement plans. Funds would pay for strategies designed to improve outcomes for children and families under the jurisdiction of the juvenile justice system and placed in out-of-home care by county probation departments.

- $1 million ($0.3 million General Fund) to strengthen state leadership and accountability and improve outcomes in CWS. This funding would be used to improve the identification of mental health and developmental needs of children and youth in foster care and access to mental health treatment resources for children and youth in foster care and children and youth at risk of foster care entry. This proposal includes funding to prevent child trafficking in inter-country adoptions through compliance with new federal requirements.

- $1 million ($0.5 million General Fund) to establish a Child and Family Services Review Unit to oversee data quality and integrity, monitor program performance, and ensure compliance with the federal Child and Family Services Review. This proposal seeks to improve performance in meeting federal outcomes and generally improve the provision of child welfare services. Funding for county staff costs and a contractor to prepare the state for the next federal review is included.

- $0.2 million ($0.1 million General Fund) to support the California Child Welfare Council, which was created by Chapter 384, Statutes of 2006 (AB 2216) to serve as an advisory body to the courts and various agencies that provide services to children and youth receiving child welfare services.

Community Care Licensing

The Community Care Licensing program directly licenses and monitors approximately 76,000 community care facilities and provides oversight, direction, and training to counties that license approximately 11,000 additional facilities. These facilities include child day care, children's residential, and elderly residential and day support facilities and serve approximately 1.4 million clients statewide. The Governor's Budget includes $119.9 million ($38.2 million General Fund) for licensing activities that promote the health, safety, and quality of life of each person in community care facilities. This is a $7.1 million ($5.9 million General Fund), or 6.3-percent, increase from the revised 2006-07 budget.

The Governor's Budget includes $6.6 million ($6.1 million General Fund) for investments in the licensing program designed to increase protections for clients in licensed facilities and improve the efficiency and effectiveness of the Community Care Licensing program. Specific investments include:

- $4.3 million ($4.1 million General Fund) and 58.5 positions to increase the number of random sample licensing visits from 20 percent to 30 percent annually to comply with statutory requirements. The Administration also proposes to modify the requirement for increasing the random sample based upon growth in citations to account for increases in visits.

- $1.7 million ($1.5 million General Fund) to implement a Licensing Reform Automation Project to improve limitations and weaknesses of information technology systems supporting the licensing program. This augmentation will provide automated tools to enable licensing staff to conduct more follow-up visits and better focus on the health and safety of clients in care.

- $0.6 million ($0.5 million General Fund) and 6.5 positions for follow-up visits when a Temporary Suspension Order, Revocation, or Exclusion Order has been served to ensure that the facility has ceased operation or that the excluded individuals are no longer at the facility. Proper follow-up will further enhance client protections.

State-Local Program Realignment

In 1991-92, State-Local Program Realignment restructured the state-county partnership by giving counties increased responsibilities for a number of health, mental health, and social services programs. Realignment also provided an ongoing revenue source for counties to pay for these increased responsibilities by establishing a new one-half cent sales tax and an increase in the motor vehicle license fee (VLF). The one-half cent sales tax is a dedicated funding stream for realignment. Chapter 322, Statutes of 1998, established a program to offset a portion of the VLF paid by vehicle owners. The amount of the offset has increased from the original 25 percent reduction in 1999 to the current 67.5 percent reduction that resulted from Chapter 5, Statutes of 2001. The amount of VLF revenue available for realignment is not affected by the 67.5 percent reduction in VLF because the amount of total VLF collections dedicated to realignment was increased by Chapter 211, Statutes of 2004, from 24.3 percent to 74.9 percent, effective July 1, 2004 to backfill this reduction.

Sufficient sales tax growth revenue is available from 2005-06 to make current the payment of caseload growth. For 2003-04, the amount of sales tax growth required to be deposited into the Caseload Subaccount was deficient by $147.6 million. This shortfall was fully restored with $60.1 million of 2004-05 sales tax growth revenue after the 2002-03 caseload growth was fully funded and $87.5 million of 2005-06 sales tax growth revenue. Sales tax growth revenue for 2005-06 was sufficient to restore the previously-unfunded 2004-05 caseload growth of $81.7 million and the 2005-06 caseload growth of $26.9 million. The remaining sales tax growth revenues will be allocated to the County Medical Services and General Growth Subaccounts pursuant to current state law.

Realignment revenues in 2006-07 are estimated to total $4.6 billion, an increase of $75.5 million compared to 2005-06. The $4.6 billion is comprised of $2.9 billion in sales tax revenues and $1.7 billion in VLF. The projected $9 million in sales tax growth and $66.5 million in projected VLF growth will be distributed pursuant to current statute.

For 2007-08, realignment revenues are estimated to total $4.8 billion, an increase of $231.4 million above 2006-07. The $4.8 billion total includes $3 billion in sales tax revenues and $1.8 billion in VLF. The projected $163.4 million in sales tax growth and $68 million in estimated VLF growth will be distributed pursuant to current statute (see Figure HHS-10, Figure HHS-11, and Figure HHS-12).

Figure HHS-10

1991-92 State-Local Realignment
2005-06 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$835,285	$410,413	$1,378,994	$2,624,692
Vehicle License Fee Account	340,601	1,193,929	58,434	1,592,964
Total Base	**$1,175,886**	**$1,604,342**	**$1,437,428**	**$4,217,656**
Growth Funding				
Sales Tax Growth Account:	5,943	16,361	197,168	219,472
Caseload Subaccount	—	—	(196,036)	(196,036)
County Medical Services Subaccount	—	(8,838)	—	(8,838)
General Growth Subaccount	(5,943)	(7,523)	(1,132)	(14,598)
Vehicle License Fee Growth Account	16,894	46,508	3,218	66,620
Total Growth	**$22,837**	**$62,869**	**$200,386**	**$286,092**
Total Realignment[1]	**$1,198,723**	**$1,667,211**	**$1,637,814**	**$4,503,748**

[1] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

Figure HHS-11

1991-92 State-Local Realignment
2006-07 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$841,228	$426,774	$1,576,162	$2,844,164
Vehicle License Fee Account	357,495	1,240,437	61,652	1,659,584
Total Base	**$1,198,723**	**$1,667,211**	**$1,637,814**	**$4,503,748**
Growth Funding				
Sales Tax Growth Account:	3,520	4,818	670	9,008
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	(363)	—	(363)
General Growth Subaccount	(3,520)	(4,455)	(670)	(8,645)
Vehicle License Fee Growth Account	25,974	35,555	4,947	66,476
Total Growth	**$29,494**	**$40,373**	**$5,617**	**$75,484**
Total Realignment[1]	**$1,228,217**	**$1,707,584**	**$1,643,431**	**$4,579,232**

[1] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.

Figure HHS-12

1991-92 State-Local Realignment
2007-08 Estimated Revenues and Expenditures
(Dollars in Thousands)

Amount	Mental Health	Health	Social Services	Totals
Base Funding				
Sales Tax Account	$844,748	$431,592	$1,576,832	$2,853,172
Vehicle License Fee Account	383,469	1,275,992	66,599	1,726,060
Total Base	**$1,228,217**	**$1,707,584**	**$1,643,431**	**$4,579,232**
Growth Funding				
Sales Tax Growth Account:	63,849	87,401	12,161	163,411
Caseload Subaccount	—	—	—	—
County Medical Services Subaccount	—	(6,581)	—	(6,581)
General Growth Subaccount	(63,849)	(80,820)	(12,161)	(156,830)
Vehicle License Fee Growth Account	26,570	36,371	5,061	68,002
Total Growth	**$90,419**	**$123,772**	**$17,222**	**$231,413**
Total Realignment[1]	**$1,318,636**	**$1,831,356**	**$1,660,653**	**$4,810,645**

[1] Excludes $14 million in Vehicle License Collection Account moneys not derived from realignment revenue sources.