AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

Assemblymember Hector De La Torre, Chair

MONDAY, APRIL 18, 2005, 4PM
STATE CAPITOL, ROOM 127

CONSENT CALENDAR

ITEMS TO BE HEARD

ITEMS ON CONSENT

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 1: HEALTHY FAMILIES PROGRAM ADJUSTMENT

The budget proposes a decrease in local assistance reimbursements of $1.952 million in the current year and an increase of $352,000 in the budget year to reflect adjustments to the Healthy Families Program. The current year decrease includes a net decrease of $1,775 million for caseload adjustments and $177,000 for county administrative costs. The budget year includes a net increase of $320,000 for caseload adjustments and $32,000 for county administration.

The Managed Risk Medical Insurance Board (MRMIB) is responsible for most budgeting issues related to the Healthy Families Program. The Department of Mental Health is responsible for budgeting the Healthy Families Program mental health benefit provided by county mental health programs to enrolled children with serious emotional disturbances. The Healthy Families Program health plans are responsible for providing a basic mental health benefit to enrollees with Serious Emotional Disturbances. The costs associated with the basic benefit are not included in the Department of Mental Health estimate. Medically necessary mental health services for enrollees with Serious Emotional Disturbances beyond the basic mental health benefits are the responsibility of the county mental health programs.

The estimate will be revised for the May Revision.

ISSUE 2: DISASTER PREPAREDNESS - LIMITED TERM POSITION

The Department of Mental Health is requesting a two-year limited term position to allow the Department to participate in state-level bioterrorism planning, preparedness and capacity building. The budget proposes to increase reimbursements to the Department from the Department of Health Services. The Department of Health Services will reimburse the Department of Mental Health $94,000 from funds provided by the federal government through the Center for Disease Control and the National Bioterrorism Hospital Preparedness Program.

The Department of Mental Health has been designated the lead agency for mental health support in the event of a bioterrorism attack in the state. The Department requests the additional resources to participate in the planning and development of a preparedness plan to manage a bioterrorist event.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 3: MANAGED CARE PROGRAM ADJUSTMENTS

The Department of Mental Health requests a General Fund augmentation of $5.717 million to reflect adjustments in the Managed Care Program. The adjustments are: an increase of $5.764 million for an increase in the number of Medi-Cal eligibles in the program; a reduction of $134,000 to reflect a one percent adjustment for inpatient growth; a reduction of $2,000 for a decrease in the number of eligibles in the Breast and Cervical Cancer Treatment Program; and an increase of $89,000 to reflect the implementation of the federal Medicaid Managed Care regulations for Solano County.

The first phase of a locally based managed care system for Medi-Cal mental health services was initiated on January 1, 1995, when responsibility fee-for-service Medi-Cal psychiatric/ inpatient services were transferred from the Department of Health Services through the Department of Mental Health to a mental health plan in each county. The second phase was implemented in 1997 and 1998. Under the system, the county Mental Health Plans became responsible for fee-for-service/managed care professional services as well as psychiatric inpatient services. The Mental Health Plan authorizes payment for Medi-Cal specialty mental health services and ensures Medicaid matching funds for the services. The health plans receive a fixed annual allocation of state General Funds as reimbursement for their responsibilities. The allocation must be adjusted every fiscal year to reflect changes in the number of eligibles served and other relevant factors.

The California Mental Health Directors Association (CMHDA) notes that the proposed budget includes a net increase to counties for managing the Medi-Cal Specialty Mental Health Managed Care program; this will be the 5th straight year that the proposed budget does not include a cost of living adjustment for counties. The effect of the lack of COLAs was exacerbated in the 2003-04 state budget, which included an actual reduction of 5% ($11 million) in the allocation to counties, which has a cumulative effect. CMHDA also notes that in August 2003, new requirements were added with the adoption of new federal managed care regulations, and an enhanced compliance environment has significantly increased both the visibility and cost of maintaining an adequate and functional compliance program.

The estimate will be revised for the May Revision.

ISSUE 4: APRIL 1 FINANCE LETTER – FEDERAL FUNDING FOR PATH

The Department is requesting in this April 1st Finance letter a $750,000 increase in local assistance Federal Trust Fund appropriation to reflect additional funds from the Projects for Assistance in Transition from Homelessness (PATH) formula grant. The additional funds will be allocated to the counties based on the Cigarette and Tobacco Surtax formula.

The Department of Mental Health was notified by the federal Center for Mental Health Services that the California grant from PATH increased to a total of $7.509 million, an increase of $768,000, for the 2005-2006 Fiscal Year. Of the amount, $18,000 is already in the Administration's 2005-2006 budget to reflect additional costs for the retirement increases and employee compensation adjustments. If adopted by the Legislature and signed as part of the budget there will be a Local Assistance appropriation of $7.382 million and $127,000 in departmental support.

Counties receiving PATH funds must annually develop a service plan and budget for utilization of the funds provided to them. The service plan must describe each program setting and the services and activities to be provided. The estimated number of persons to be served and the anticipated benefits and outcomes of the services also must be included. Each county with a PATH program has established one or more programs of outreach to, and/or services for persons who are homeless and have a mental illness. Allowable services include: primary service referrals; habilitation and rehabilitation; alcohol/drug treatment; services co-ordination; screening and diagnostic treatment; outreach; community mental health; staff training; housing services; and supportive services in residential settings.

The Department's PATH staff provides consultation to local governments and organizations that participate in federal, state, and local groups involved in addressing the many problems associated with homelessness. The Department also provides information to the community on the needs of persons who are homeless and have a mental illness and serving as liaison to state and local organizations.

ISSUE 5: SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION BLOCK GRANT – APRIL 1 FINANCE LETTER

The Department requests a $303,000 increase in its local assistance Federal Trust Fund appropriation. The increase reflects the receipt of additional funds from the SAMHSA Block Grant. The funds will be allocated to the counties based on the Cigarette and Tobacco Products Surtax.

The SMHSA grant has been increased from $54.447 million to $54.955 million. The increased funding is proposed to be used by the counties for expanding or enhancing existing programs that serve adults with a serious mental illness and children with a serious emotional disturbance. The funding will be used to increase the funding base for all 58 counties receiving block grant dollars.

The block grant is a small percentage of California's mental health budget, but it provides an important and flexible funding source to support a broad range of activities specific to the needs of each county. The Department's intent has been to support a stable, discretionary funding base, motivate counties to lower barriers to integrated services, promote cost-effective strategies, adopt best practices, and continuously explore innovative approaches to improving outcomes. To achieve these goals, the Department awards the funds to counties based on a legislated formula and through competitive grants.

ISSUE 6: TRANSFER OF GENERAL FUND APPROPRIATION FROM DEPARTMENT OF CORRECTIONS TO DEPARTMENT OF MENTAL HEALTH – APRIL 1 FINANCE LETTER

The Administration proposes to make a permanent transfer of $61.034 million from the General Fund Budget of the California Department of Corrections (CDC) to the state hospital appropriation for the Department of Mental Health to reflect a mutually agreed to decision by both departments. The transfer decision will shift the CDC dollars currently reimbursed to the Department for costs associated with the care and treatment of CDC inmates.

No opposition has been expressed.

ISSUE 7: EXPANSION OF INTERMEDIATE CARE AND DAY TREATMENT PROGRAMS AT VACAVILLE INPATIENT PSYCHIATRIC PROGRAM

The budget proposes a $2.330 million increase in reimbursements in the state hospital appropriation of in the Budget Year from the CDC. The increase in-reimbursements is to support an increase of 61 intermediate care and day treatment program beds for the Inpatient Psychiatric Program at the California Medical Facility in Vacaville. The funding will support the increase of 22.5 level-of-care positions and 1 non level-of-care position that will be required when the number of beds increase from 83 to 144. Also, it will provide overtime funding to allow for immediate implementation of the program expansion while recruitment is ongoing for Registered Nurses and Medical Technical Assistants.

The Coleman court order found the state had an inadequate number of mental health treatment beds to meet the needs of the CDC. The Inpatient Psychiatric Program currently has 83 beds and the court is requiring there be 84 intermediate care beds and 60-day treatment beds available.

To comply with the Coleman case, the Department is requesting additional staffing for the Inpatient Psychiatric Program. The additional positions will be supported by the increase in reimbursements from the CDC. The staffing will provide the appropriate treatment groups and therapeutic activities for the increase in patient population and will maintain levels of nursing care and custody security.

ISSUE 8: SAN MATEO PHARMACY AND LABORATORY SERVICES – FUNDING ADJUSTMENTS

The budget proposes to increase expenditures for the San Mateo Field Test Project by $1.136 million from reimbursements to the Department of Mental Health from the Department of Health Services.

The San Mateo County Mental Health Department has been operating as the mental health plan for the San Mateo County Medi-Cal beneficiaries as part of a Medi-Cal managed mental health care field test since 1995. The field test authority was enacted to allow the Department of Mental Health to test managed care concepts (assumption of risk) in support of an eventual move to a capitated or other full-risk model for the delivery of Medi-Cal specialty mental health services.

Most county Mental Health Plans began implementation of the Managed Care Program in 1995 by assuming responsibility for psychiatric inpatient services only; The San Mateo Mental Health Plan began as a field-test by assuming responsibility for both psychiatric inpatient services and outpatient specialty mental health services. Effective July 1, 2005, the field test case rate system, and the San Mateo Health Plan will become part of the Medi-Cal Specialty Mental Health Services Consolidation waiver program that covers all other county mental health plans. The San Mateo Mental Health Plan, however, will continue to cover pharmacy and related laboratory services.

ISSUE 9: METROPOPLITAN STATE HOSPITAL – REMODEL OF SATELLITE SERVING KITCHEN

The Administration proposes to shift funding for a portion of this approved project from lease revenue bond funding to the General Fund. The portion of the project being shifted will renovate all existing Satellite Kitchens and Dining Facilities to meet the requirements of licensing and the cook/chill system.

The 2003-2004 budget appropriated $18.726 million in lease revenue bond authority to construct a new kitchen and remodel six satellite-serving kitchens. Issues emerged that indicated selling bonds for the satellite kitchen component of the project would be difficult because the whole building would likely be needed to be used as collateral to secure the bond, rather than just the portion of the building planned for satellite kitchens. It was determined to reduce the scope of the lease revenue bond project to just the new main kitchen building, and make the renovation of the satellite kitchens a General Fund project.

ITEMS TO BE HEARD

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 1: SEXUALLY VIOLENT PREDATOR EVALUATION AND COURT TESTIMONY

The Department proposes a decrease of $319,000 General Fund to reflect the revised estimate of the funding needed for the 2005-2006 Fiscal Year to support evaluation and court testimony costs for the Sexually Violent Predator Program.

The CDC and the Board of Prison Terms refer potential SVP cases to the Department of Mental Health. Department of Mental Health completes a record review of referred cases to determine whether basic legal requirements are present prior to referring the case for Clinical evaluation. Two contract evaluators are assigned to each individual. Based on a review of records and an interview with an inmate, the evaluators submit reports to DMH. If the contractors have differing opinions, two other evaluators are assigned to the case. SVP cases meeting specified evaluation criteria are referred to the district attorney with a recommendation for SVP commitment. If a petition for commitment is filed, clinical evaluators are witnesses at the court hearings. Cases that have a petition filed, but do not go to trial in a timely fashion require updates of the original evaluations at the District Attorneys request

As a result of statutory changes in 2000, all persons ending their two-year SVP commitment must be evaluated again by at least two clinicians. The Department relies on contract evaluators and state hospital staff to complete these recommendations.

Caseload will be updated in the May Revision.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 2: FORENSIC CONDITIONAL RELEASE PROGRAM ADJUSTMENTS FOR SEXUALLY VIOLENT PREDATOR SERVICES

The budget proposes a net reduction of General Fund support for the Conditional Release Program. The reduction of $144,000 General Fund would be comprised of: a decrease for patient services of $485,000; an increase in hospital costs for state hospital liaison visits of $165,000; an increase in patients released from the state hospitals into Conditional Release without resources and who are ineligible for SSI, $85,000; and an increase of $91,000 to support an estimated nine sexually violent predators full-year and five sexually Violent Predators half-year to be in the Conditional Release Program during the 2005-2006 fiscal year.

The Forensic Conditional Release Program (CONREP) was implemented on January 1, 1986. The Department of Mental Health is also responsible for the community treatment and supervision of judicially committed patients and mentally disordered offenders. Program funding provides outpatient services to patients in the community and hospital liaison visits to state hospital inpatients, all of whom may eventually be admitted into CONREP. The patient population includes: Not Guilty by Reason of Insanity (NGIs); Mentally Disordered Offenders (MDOs); Mentally Disordered Sex Offenders (MDSOs); and Sexually Violent Predators (SVPs). The individuals remain the responsibility of the Department when they are court-ordered into CONREP community treatment and supervision.

In August 2003, the first SVP patient was placed in the CONREP program. To ensure community safety the CONREP program of supervision and treatment is designed to provide these services for a prolonged period of time. The program is designed with three levels of supervision and treatment. The intensity of both the supervision and treatment is reduced as the patient proves that he can live in the community without committing further offenses. The three levels of the CONREP program are intensive, supportive, and transitional.

Caseload will be updated in the May Revision.

ITEM4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 3: COALINGA STATE HOSPITAL

The budget proposes a continued activation of the Coalinga State Hospital in the Department of Mental Health. The augmentation would be $74.169 million, $65.694 General Fund, and $8.475 million in reimbursements from the California Department of Corrections. In addition, the Department would receive 893.0 non-level-of-care and level-of-care positions (708.7 PYs) and funding for operating expenses and equipment, workforce recruitment efforts and relocation costs. Also included in the provision of a 50-bed intermediate level of care unit for the California Department of Corrections.

The sexually Violent Predator Law was established in 1995. In 1996, the statute was implemented to provide for the civil commitment of people deemed likely to commit sexually violent acts in the future following completion of their prison sentences. It was the intent of the Legislature that Sexually Violent Predators be confined and treated until they no longer present a threat to society. Coalinga State Hospital, a 1,500-bed treatment facility designate specifically for the SVP population is being constructed adjacent to Pleasant Valley State Prison near Coalinga in Fresno County. Construction began with site excavation in October 2001 with planned occupancy scheduled to begin in September 2005. The Coalinga State Hospital will relieve the severe overcrowding at Atascadero State Hospital and the Patton State Hospital. Missing the September 2005 start-up date could result in licensing violations at the state hospitals that are over-bedded and jeopardize accreditation of the state hospitals by the Joint Commission on Accreditation of Healthcare Organizations.

The Legislative Analyst Office notes the Department of Mental Health budget item does not incorporate the General Fund costs for repayment of lease-payment bonds issued to build the hospital. The costs are estimated to be about $27 million in 2005-2006, upon activation of the hospital. The costs are included, but not separately identified in the Governor's proposed budget. According to the LAO, the administration will update the Coalinga debt-service costs and propose to shift this updated amount from the aggregate item to the DMH item.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 4: STAFFING FOR YOUTH AND SKILLED NURSING FACILITIES AT METROPOLITAN AND NAPA STATE HOSPITALS

The budget proposes to augment the budget by $3.567 million for staffing increases at the Youth and Skilled Nursing Facility Programs at Metropolitan State Hospital and the Napa State Hospital. The funding is from realignment reimbursements from counties and has no effect on the General Fund.

The result will be an addition of 54.8 nursing staff, 42.1 at Metropolitan, and 12.7 at Napa.

Beginning in the early 1990s, state hospital accrediting organizations and the Department of Health Services began requiring staffing based on the acuity of patients. The California State Hospitals chose an acuity based staffing model to comply with accrediting and licensing requirements. In both the Youth and Skilled Nursing Facility Programs, a high level of observation and close supervision is required. By adhering to the acuity model that state employees the Metropolitan and Napa State Hospitals have allocated their staffing resources to meet the individual patient needs.

The Legislative Analyst Office notes that the staffing at Metropolitan is less than what the budget requests. As a result of the lower population, the LAO recommends the Legislature reduce the requested appropriation by $560,000 and eight positions. The LAO further recommends the Subcommittee direct the Department of Mental Health to update and adjust its funding at the May Revise hearing.

The data will be updated in the May Revision.

ITEM 4440 DEPARTMENT OF MENTAL HEALTH

ISSUE 5: AB 3632

The budget proposes continuation of the $69 million in federal funds in the Individuals with Disabilities Education Act (IDEA) for counties, and $31 million for Special Education Local Plan Areas (SELPAS). However, it proposes suspending (not repealing) the mandate on counties, which means that counties that provide services over and above their allocation of the $69 million would not be eligible for SB 90 reimbursement.

Several years of inadequate funding by the state for providing state-mandated mental health services to special education students (pursuant to the federal law) has led to a fiscal crisis for county mental health programs, as well as chaos and confusion among schools, families and mental health providers.

The federal IDEA is intended to ensure that children with special needs receive special education instruction and related services necessary for them to benefit from a "free and appropriate public education (FAPE)". Related services include, but are not limited to, occupational and physical therapy, speech therapy, and mental health services. School districts are responsible for identifying children with special education needs, and for providing or ensuring educational and related services. The state of California through the Department of Education receives over $1 billion annually for agreeing to comply with the requirements of the IDEA.

In California, prior to 1984, school districts were directly responsible for providing mental health related services to children with special needs. In 1984, with the enactment of AB 3632, responsibility for providing these services was transferred to county mental health departments. AB 3632 was the result of both lawsuits and advocacy to increase special education pupils' access to mental health services.

Under Chapter 26.5 (AB3632, and AB 2726) of the Government Code and Division 9 of Title 2 of the California Code of Regulations, county mental health systems are mandated to provide a range of mental health services as identified on a student's IEP. Under current California law, the IEP is a legally binding contract upon the county mental health department.

County mental health departments were initially allocated to state general fund dollars, approximately $2-3 million statewide to finance these mental health services for special education students. It was acknowledged even in 1984 that this allocation was insufficient to pay for AB 3632-linked services.

By FY 2001-02, categorical AB 3632 funding provided through an allocation by the state Department of Mental Health was only $12 million, while the actual cost of the program exceeded $100 million. Counties have historically been reimbursed for these additional costs through the SB 90 local mandate reimbursement process.

The Fiscal Crisis for Counties:

- In the FY 2002-03 state Budget, the $12 million of categorical funding was eliminated entirely and counties were advised to seek compensation for AB 3632 services through the mandate reimbursement process. However, the budget also placed a moratorium on mandate reimbursements for local government that year and thus denied counties reimbursement for the services provided.

- In the FY 2003-04 state budget, the local mandate reimbursement moratorium was extended for an additional year. In the May Revision to the budget, the Governor acknowledged the federal IDEA mandate on the state, and proposed allocating $69 million in federal IDEA funds to partially pay for the AB 3632 mental health program. The Legislature approved that funding**.** The total cost to counties for providing services that year was estimated to be over $120 million**.**

- The local mandate reimbursement moratorium was continued in the FY 2004-05 state budget, as was the $69 million in federal IDEA funds.

- In 2004, one county (San Diego) sued the state, charging that it was violating the state constitution by failing to pay the county for the mandated costs of this program. Three other counties subsequently joined the suit (Orange, Contra Costa, and Sacramento). The counties asked the court to force the state to take back responsibility for the program if it continued to refuse to pay them for providing the services. The Superior Court decided in favor of the counties, and held that counties are relieved of the mandate to provide services if the funding is determined to be inadequate. The court decision recognized that school districts have the ultimate responsibility for providing related mental health services to special education students if counties fail to provide them due to lack of funding.

- The state declined to appeal the Superior Court decision, making the decision final. However, the decision only applies to the four litigant counties. All other counties are still legally required to comply with the mandate despite funding.

- San Diego County subsequently entered into an agreement with local schools to continue providing the mental health services, with the schools assuming responsibility for the cost of the program over and above the county's share of the $69 million.

- The three other counties who were party to the lawsuit are at various stages in the process of turning the responsibility over to the schools as well.

- The Administration's FY 2005-06 state budget proposes "suspending" the AB 3632 mandate on counties, but continuing the $69 million in IDEA funds to

reimburse them for providing the AB 3632 services. This adds to the chaos and confusion because*:*

- Counties would not be eligible for SB 90 mandate reimbursement for their claims beyond the $69 million.
- Since the mandate is suspended, not repealed, the law mandating counties to provide the services (AB 3632) would remain in place.
- Counties are being forced right now to make budget decisions about what they will do – either discontinue services and assume the schools will pay for the services similar to what has happened in San Diego County, continue to provide services hoping that the Legislature rejects the Administration's proposal, or continue providing the services and cut other mental health services for their target populations. (This last option is not a realistic option for counties given, in light of the $300 million already owed by the state to counties).
- Parents and families are justifiably concerned about what will happen to their children who are entitled to mental health related special education services*.*

The County Mental Health Directors Association believes the state has two viable options regarding this program, in order to avoid disruption of services to special education students:

1. Fully fund counties for their costs of providing the state mandated services under AB 3632 this fiscal year, and develop a reasonable plan for repaying past due SB 90 claims;
2. Repeal the AB 3632 mandate on counties, recognizing that accountability for ensuring the provision of mental health related services under the IDEA rests with education – not local government. Restructure the program so that schools are legally responsible for ensuring that mental health-related services are provided to special education students pursuant to the federal IDEA. Under such a restructured system, county mental health departments would remain committed to maintaining and enhancing their effective collaborative partnerships with education, and to working with all interested stakeholders – including the legislature, local education agencies, the state Departments of Mental Health and Education, private providers and, most importantly, special education students and their families, in developing a system that continues to meet the mental health needs of special education pupils.

If the Governor's proposal to suspend the mandate is approved, ALL counties will be relieved of the mandate.

Small-Medium Northern California County:
This county has already been through several budget drills for FY 05-06, in anticipation of what will be included in the state budget. The Mental Health Director has been told by his county that if the AB 3632 state mandate on county mental health to provide IEP related mental health services to students is suspended, he must either discontinue the program and lay off the staff who provide the services, or arrange for the local schools to pay for the services. The county cannot afford, after over four years of insufficient funds, to continue providing the services without reimbursement from the state.

This county has already had preliminary discussions with the schools (who are ultimately responsible under federal IDEA law for ensuring that special education students receive the services they need) to continue to provide the IEP-related services, if the schools pay counties for the costs. However, the schools – also uncertain about what will happen in the budget – have been reluctant to seriously pursue a contract with the county until they know more about the budget situation and what they may or may not be responsible for. The uncertainty of this situation is leading to confusion and fear among schools, county staff, parents and children. All are concerned about the impact on the children who are already in the system. For example, what happens to those children who are currently receiving IEP-related mental services from the county? If the schools decide not to contract with the county to continue those services, what is the transition process for those children, and how will the state ensure the federal government that it is complying with the federal IDEA law? What happens if some local schools choose to contract with the county, and others don't? Without all schools contracting with them, the county would lose economies of scale, and costs per child would likely go up.

Additionally, since the Governor's proposal is for the 05-06 budget year only, what happens if the county eliminates its infrastructure for serving students this year, but the state reinstates the mandate in FY 06-07? The infrastructure needed to reinstate the services would be gone, and it would be very difficult to re-build.

Medium-Sized Central California County
This county does not anticipate presenting its 05-06 mental health budget to its Board until early June. However, preliminary discussions between the county mental health director and the CAO indicate that the county would not be able to provide funding for the AB 3632 program beyond what the county may receive in federal IDEA money for 05-06, whether the mandate is suspended or not – unless the program is fully funded in this year's budget. This county has also begun discussions with the schools to determine how the transition would take place if the Governor's proposal is adopted. However, the county is very clear that services to special education students by county mental health would be discontinued unless the state fully funds the program in this budget year, or the schools agree to pay for those services.

Large Lawsuit County
A large Northern California County that was one of the four above-mentioned litigant counties (and has already been relieved of the mandate) is in the final stages of negotiation with the schools regarding continuation of the mental health services to students. In that county, the Board has already made the decision that the County would no longer provide services to students without funding from schools to pay for the services. The county is waiting to hear from the schools as to whether they are willing to pay them the full costs of providing IEP-related services to students (the deadline imposed by the county is this week). Preliminarily, the county says that one SELPA (Special Education Local Plan Area) has indicated that it wants to contract with the county. The other SELPA that serves students in that county indicates that it will not. The county has already made contingency plans to lay off staff in the event they do not receive full funding from the schools.

Small Northern County
As with all of the other counties mentioned, this county will only provide services to students in the FY 05-06 budget year to the extent it receives funding for the full cost of those services, if the mandate is suspended. The mental health director in this county points out that her staff last year were the only staff who were forced to take a 10% furlough (unpaid) in order to compensate for inadequate funding for this program last year. This small county is owed cumulatively approximately $1.5 million by the state, and the department was forced to make up the budget deficit by both staff reductions and reduction in services to their target population – primarily indigent seriously mentally ill adults.

ISSUE 6: EARLY MENTAL HEALTH INITIATIVE (EMHI)

The Governor's Budget proposes a $5 million Proposition 98 General Fund appropriation for the program.

In the current fiscal year, EMHI has a total appropriation of $10 million from Prop 98 General Fund. That includes $5 million in General Fund and $5 million that was re-appropriated from the Prop 98 Reversion Account. For the budget year, the EMHI appropriation is reduced to only the $5,000,000 included in the Department's local assistance item. In Fiscal Year 2004-05, the Administration had proposed the elimination of the entire program in the Governor's Budget. Both houses of the Legislature restored the funding in the amount of $10 million. The Department of Finance made the determination to fund a portion of the legislative augmentation by re-appropriating funds. Since re-appropriations are traditionally one year in duration, only $5,000,000 remains for Fiscal Year 2005-06.

The Early Mental Health Initiative (EMHI) was authorized by Chapter 757, Statutes of 1991 (AB 1650). The goals of the program are to minimize the need for more intensive and costly services as students grow older and to increase the likelihood that students experiencing mild to moderate school adjustment difficulties will succeed in school. The program targets school-aged children between kindergarten and third grades. EMHI is the only funding source currently designated for provisions of such services to this population in California

EMHI grants implements researched-based program services. The key elements of the program include the provision of services that are school-based and low cost to appropriate students in the target population from low-income families or who are in out-of-home placement or who are at risk of out-of-home placement. EMHI uses a systematic selection process of student most likely to benefit from program participation. The program collaborates with the County Mental Health Departments while also utilizing alternative personnel, such as child aides, to provide direct services to identified students. EMHI also maintains a commitment to outcomes based practices through ongoing monitoring and evaluation of program services, and ensuring the implementation of programs that are based on adoption or modification, or both, of existing program models that have been shown to be effective and which are based on sound research. Over 84 percent of student participants receive only one cycle of services (once a week for 12 – 15 weeks).

EMHI is funded on a three-year grant cycle. The average cost per student for the program is $656. The $10 million Prop 98 General Fund provided for EMHI in FY 2004-05 supports the following local programs:

- First Year Programs: 52 programs, 159 sites $4,986,035
- Second Year Programs: None
- Third Year Programs: 73 programs, 164 sites $4,730,651

In summary, the $5 million is supporting programs all in their third year of funding. Since these three-year grants end June 30, 2005. The second $5 million proposed in the Governor's Budget would be used to support the second year of funding for programs currently in their first year.

This means that no programs currently in their first year would lose funds in FY 2005-06 under the Administration's proposal to eliminate the one-time $5 million in Prop 98.

These figures are a substantial drop-off from the 2002-03 Fiscal Year in which 496 school sites participated with 206 total grants. In 2002-03, EMHI served 23,000 at-risk students in K–3 with direct services of the Primary Intervention Program and small group services. "Enhanced" EMHI programs served an additional 12,000 students each year with classroom violence prevention, character education, and parent education services.

In the Budget Act of 2003, the Early Mental Health Initiative was reduced by one-third, by not renewing funding for the three-year grants that were up for renewal in the current year. Governor Davis initially proposed a complete elimination of the program.

EMHI served a total of 33,372 children in 2002-03, when the program was complete with three grant cycles. After the program lost one grant cycle, it is estimated that 20,600 children will participate in the program. This is a 38 percent reduction in children served.

EMHI providers argue that the program is cost-effective: "By utilizing paraprofessionals as the primary services providers, EMHI provides effective, short-term interventions at a cost of approximately $600 per child. Without early intervention services, students require more intensive and much more costly academic, behavioral, and mental health interventions. For example: Mental health and academic interventions provided by professionals typically cost three to four times as much as EMHI interventions. Incarceration of one child in the California Youth Authority costs over $40,000 per year. In addition to improvements in classroom behavior and social-emotional health of students, schools report improvements in student attendance, school environment, home-school partnerships, and faculty stress as benefits of EMHI programs."

EMHI providers also state that services prevent serious, future problems: "By building skills and addressing the emotional stressors and difficult life transitions that interfere with children's learning, EMHI reduces the likelihood of school/academic failure, bullying, social isolation, and school violence, and high-risk behaviors such as alcohol/drug abuse, criminal behavior, and sexual activity. By addressing these concerns early, EMHI prevents conditions associated with future need for more costly interventions such as mental health treatment services, academic remediation, and incarceration."

ISSUE 7: EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT PROGRAM - FUNDING ADJUSTMENTS

The budget proposes a decrease of $29.164 million in local assistance reimbursements from the Department of Health Services in the current year to reflect adjustments from updated paid claims information to the funding level for the Early and Periodic Screening, Diagnosis and Treatment Program. In addition, the budget proposes an increase in the budget year of $47.487 million to reflect additional program costs. This includes a State General Fund (SGF) increase of $27,232,000 and an increase of $20,255,000 in Federal Financial Participation (FFP). The increase also reflects a slowdown in the rate of growth of the program, which reflects for a total savings for the General Fund of $15.8 million, and a reduction in Federal Funds of $13.35 million.

Effective for the 1995-1996 Fiscal Year, the Department of Health Services requested county mental health programs to expand Short/Doyle/Medi-Cal mental health services, other than psychiatric inpatient hospital services, to meet the requirements of the *TL vs. Belshé* lawsuit, which expanded services provided to eligible Medi-Cal beneficiaries under the EPSDT Program. Through an Interagency agreement with the DMH, the Department of Health Services provides state matching funds for the expanded EPSDT mental health services provided by county mental health programs. A baseline is established for each county, which is equivalent to the sum of the cost settled for mental health services provided by the county, in the 1994-1995 Fiscal Year. The amount of state funds provided under phase II consolidation for the EPSDT eligible population and beginning in the 1998-1999 Fiscal Year, an annual cost of living increase to the 1994-1995 Fiscal Year component of the baseline when justified by realignment growth. Effective with the 2002-2003 Fiscal Year, a 10 percent county match on the growth of the total state-matching requirement above the 2001-2002 Fiscal Year funding level was implemented to establish a financial incentive at the county level to ensure that funds are spent efficiently for medically necessary services to the EPSDT population

Provision 3 of Item 4440-001-0001 of the 2004 Budget Act (SB 1113, Ch. 208/04) requires DMH to report to the Legislature by January 10, 2005 with approaches for increasing federal funds and reducing state costs for community mental health services and the state hospital system.