

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

Assemblymember Hector De La Torre, Chair

MONDAY, APRIL 3, 2006, 4PM
STATE CAPITOL, ROOM 127

ITEMS TO BE HEARD

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ITEMS TO BE HEARD

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH

ISSUE 1: WOMEN, INFANTS AND CHILDREN (WIC): EXPENDITURE AUTHORITY

The Department of Health Services proposes an increase in its expenditure authority in the Manufacturer Rebate Fund (Fund 3023) of \$35 million, from \$262 million to \$297 million, in 2006-2007. In addition the Department has proposed Budget Bill Language to allow the Department of Finance flexibility to increase Fund 3023 appropriation beginning 2007-2008.

The WIC program offers participants infant formula, infant cereal and juice. To contain the food costs the WIC program contracts with manufacturers of these products, who in turn rebate the WIC program each time a participant purchases their product. Manufacturer's rebates are used to offset federal grant food expenditures which extends food grant dollars to serve more participants and absorb food inflation costs. Federal regulations require states to spend rebate funds before drawing down funds from their federal grant Letter of Credit. WIC cannot draw down federal grant funds as long as rebate revenue remains in the Fund 3023 account. Rebates comprised approximately 30 percent of WIC food expenditures in the 2004-2005 Fiscal Year.

The budget bill language proposed by the Department of Health Services would allow the Department of Finance the flexibility to increase the Fund 3023 appropriation. Annual adjustments will ensure WIC maintains sufficient authority to expend all rebate revenue it receives. Otherwise:

- WIC will be prohibited from spending rebate revenue in excess of expenditure authority;
- Excess rebate funds will remain in the account, thereby freezing WIC's ability to further draw down federal grant funds.

The state faces a risk of tens of millions of dollars in penalties for paying vendors more than permitted under federal limits.

- ✓ Department of Health Service, please provide the Subcommittee a status report on the federal enforcement actions related to the issue and what are its implications for the budget and the WIC Program.
- ✓ Department of Health Services, please provide the Subcommittee an overview of the Department's budget bill language.
- ✓ LAO please provide the Subcommittee with your assessment of the situation.

ISSUE 2: CHILDREN'S MEDICAL SERVICES BRANCH

The Children's Medical Series Branch of the Department of Health Services requests an increase in its appropriation of \$431,000 (\$255,000 General Fund/ \$156,000 Title XIX/\$20,000 Title XXI) in state support authority for four permanent positions. The positions would continue ongoing maintenance and support of the enhanced Children's Medical Service Network (CMS Net System). The augmentation will be offset by a reduction in Medi-Cal local assistance authority of \$576,000 (\$360,000 General Fund) in the fiscal intermediary line item resulting from the assignment of contractor staff who supported the deployment and implementation of the enhancement of CMS NET. The net result of the Children's Medical Series proposal would be a net savings of \$145,000 Total Funds.

- ✓ Department of Health Services, five Fiscal Intermediary staff are being replaced by four new staff on the computer project, please explain the project and why the staff is necessary.
- ✓ LAO, please share assessment of the project with the Subcommittee.

ITEM 4260 DEPARTMENT OF HEALTH SERVICES – PUBLIC HEALTH**ISSUE 3: UNSERVED/UNDERSERVED DOMESTIC VIOLENCE PROGRAM**

The Department of Health Services proposes \$350,000 General Fund local assistance to fund the Technical Assistance and Training at the 2005-2006 Fiscal Year funding level. In the 2005-2006 Fiscal Year the Legislature approved \$1.1 million, \$750,000 ongoing, to improve access to domestic violence services for nontraditional users of shelter services.

The Domestic violence Program was established as the Battered Women Shelter Program. The Battered Women Shelter Program, now known as the Domestic Violence Program, began as a shelter based program that expanded existing services, established 17 new shelters statewide, and funded creative and innovative service approaches to seeing women and their children in need of services. In the 1999-2000 Fiscal Year funding was first provided to focus services on transitional housing, as well as on serving Unserved/Underserved populations with emphasis on cultural, teens and ethnic populations, so that groups experiencing Domestic Violence, but not traditionally seeking assistance could receive assistance through the Domestic Violence Program.

In the Spring of 2005, the Department conducted a Special Populations Survey of the Domestic Violence shelter agencies that identified specific Unserved/Underserved populations to target in the 2005-2006 and beyond Fiscal Years. The populations included:

- Lesbians, gays and bisexuals, transgender and questioning (LGBTQ);
- Individuals with mental health or substance abuse issues; and
- Disabled/Developmentally disabled.

The 2005 Budget Act referenced the survey and provided Technical Assistance and Training funding to serve the Unserved/Underserved populations identified.

- ✓ Department of Health Services please provide the Subcommittee with an overview.
- ✓ LAO, please provide the Subcommittee with your assessment.

ISSUE 4: BOTULISM IMMUNE GLOBULIN (BABYBIG) TECHNICAL TRANSFER

The Infant Botulism Treatment and Prevention Program has proposed a one-time increase in expenditure authority of \$1.1 million in the 2006-2007 Fiscal Year from the Infant Botulism Special Fund 0272 to support a change of the manufacturing facilities to meet U.S. Food and Drug Administration (FDA) requirement.

The present manufacturer, who is specified in the FDA license as the plasma fractionators, redirected its facilities to monoclonal antibody production effective June 2005, and is no longer part of the manufacturing process of BabyBIG. The FDA tightly regulates any technical transfer of proprietary methodology and technology to a new facility. The technology transfer will require an amendment to the BabyBIG License, which automatically requires extensive studies of proof of capability in the new facility and will cost \$1.1 million in the 2006-2007 Fiscal Year. Manufacturing of future BabyBIG Lots cannot happen without the technology transfer. The expenditure authority of \$1.9 million in the 2006-2007 Fiscal Year is based solely on normal programmatic operations, as the next Lot of BabyBIG is not scheduled to be manufactured until the 2008-2009 Fiscal Year. This Budget Change Proposal is related only to technology transfer and FDA approval of the new fractionating facility.

- ✓ Department of Health Services, please provide the Subcommittee with a summary of the change.
- ✓ LAO, please share your thoughts on the proposal.

ISSUE 5: PROSTATE CANCER TREATMENT PROGRAM

The Prostate Treatment Program was re-established by Chapter 4432, Statutes of 2005. The Department of Health Services was required to establish a permanent infrastructure to its operation. The Department has proposed an appropriation of \$3.478 million for the Budget Year. The funding for an ongoing program after 2006-2007 will be assessed during the 2007-2008 Fiscal Year.

The program is being redesigned and a new competitively bid contract will be issued for delivery of treatment after July 1, 2006. The program has been highly visible, controversial and subjected to intense media and legislative review. The Department's proposal would hire contract staff to perform the duties related to delivering the cancer treatment services in an effective and cost-efficient manner. The statute re-establishing the program requires the series be provided pursuant to a competitively bid contract. The statute requires the Department to submit an evaluation to the Legislature by July 1, 2006. The Prostate Cancer Treatment Program is known as Improving Access, Counseling and Treatment for Californians with Prostate Cancer (IMPACT). It is implemented through a contract with UCLA. In order to comply with intent and urgency contained in the bill implementing the program, the Department established a new treatment program contract with UCLA. Effective July 1, 2006, another contract secured through a competitive bid process will need to be in place. The Department notes that several aspects of the program need additional staff to complete the task required by the authorizing statute.

- ✓ Department of Health Services, please provide the Subcommittee with an overview of what is to transpire in the program.
- ✓ LAO, please share with the Subcommittee your thoughts on the program.

ISSUE 6: PROCESSED FOOD REGISTRATION PROGRAM

Pursuant to AB 1081, Chapter 40 of the Statutes of 2005, the Department proposes to increase expenditure authority of \$1.327 million in the 2006-2007 fiscal year in the Food Safety Fund. The request is to support: (1) an increase of five Food and Drug Investigator positions that will be redirected from within the Department to complete statutorily required inspections of food processing facilities and (2) one new Senior Food and Drug Investigator position to conduct re-inspections of food processors with critical violations and a shift of positions and expenditure authorities for five Senior Food and Drug Investigators and one Senior Food and Drug Investigator in the bottled and vended water program from the General Fund to the Food Safety Special Fund to coincide with the shift in the deposit fees required by AB 1081.

The Processed Food Registration Program was established in 1986 to annually register food processors in California. The fees were for registration only. In 1988, due to several food-borne illness outbreaks the program was re-evaluated. As a result a program was established industry fees to help fund the Department's Food and Drug Branch inspections of California food processors.

To strengthen the Processed Food Registration Program, AB 1081 authorized a 15 percent increase in the registration fees and initiated a new additional fee of \$250 per year for any seafood or juice firm that is required to operate under a mandatory Hazard Analysis and Critical Control Point (HACCP) program and Standard Sanitation Operating Procedures (SSOP). Also, AB 1081 modified the provision of law allowed related to collection fees for re-inspections of processed food firms. The bill allows the Food and Drug Branch to collect costs of any re-inspection within a 12 month period to verify that critical violations have been corrected. The industry proposed and supported paying fees for any and all inspections.

The Food and Drug Branch (FDB) seeks the re-direction of five Food and Drug Investigators from within the Department to work on the backlog of approximately 800 inspections per year that result from the current staffing level. In addition the Department is requesting a new position to conduct re-inspections of manufacturers. Also, the Department is proposing to transfer six staff positions from the General Fund to the Food Safety Special Fund. The net result of the Budget Change Proposal is a \$1.4 million reduction in General Fund.

- ✓ Department of Health Services, please provide the Subcommittee with an overview of the proposal.

ISSUE 7: REGISTERED ENVIRONMENTAL HEALTH SPECIALISTS

The Department proposes a \$130,000 increase in budget authority for the Registered Environmental Health Specialist (REHS) program. The purpose of the funding is to establish a continuing education program for environmental health specialists. Statute established the requirement and standards for continuing education for registered environmental health specialists. The Department states the REHS program has sufficient resources to maintain its current program and the proposed education program. Environmental health specialists have identified continuing education as critical need for all environmental health professionals. The Department is proposing increasing the fees to support the program.

The REHS program was established by the Legislature in 1945 to assure that persons who perform activities related to environmental protection meet specific standards of health education, training and experience. REHSs are employed by local governmental agencies to conduct investigations and assessments of environmental conditions and public health problems. The specialists secure compliance with applicable laws and standards that have been established to protect health and safety. The scope of responsibility for an REHS covers public health issues related to food, water, sewage disposal, vector control, toxic substances, air quality, recreational health, bio-terrorism and housing.

The funding will be used to assess courses to determine if they meet specific content requirements to make them eligible for continuing education. The evaluation will be ongoing. The contractor will evaluate new trends in environmental health to determine if the core competencies should be broadened, develop forms to provide to the REHS program to identify those persons that have taken CEU credits, develop a database to track CEUs, prepare enforcement actions for those that have not taken required CEUs, assist in developing regulations, respond to inquiries relating to CEUs and review local environmental health programs to determine how they are incorporating CEUs into their training programs.

Increase existing registration/application fee from \$69 to \$95.

Increase examination fee from \$60 to \$126.

Increase biennial renewal fee from \$87 to \$175.

The increased fees will fund the new continuing education program for environmental health specialists (2006-07 BCP). The affected groups, including the California Council of Local Health Officers, are strongly in support of the continuing education program.

- ✓ Department of Health Services, please provide the Subcommittee with an overview of the Continuing Education proposals.
- ✓ LAO, what is your assessment of the need for the continuing education proposals?

ISSUE 8: DRINKING WATER TECHNICAL ASSISTANCE PROGRAM

The Department requests 10.5 sanitary engineers limited term positions be extended for another two years. The positions are in the Small Water Systems Drinking Water Technical Assistance Account. The positions are scheduled to terminate on June 30, 2006. This Budget Change Proposal would extend the positions until June 30, 2008. In addition, the Department is requesting \$1.123 million in funding to support the 10.5 positions.

The Federal Year 2010 goals include fiscal and technical support goals related to water system infrastructure improvements and operations needed to ensure compliance with current and future federal and state laws. Most of the necessary improvements are needed for Public Water Systems to meet standards enacted to protect the public from microbiological and chemical contaminants. The goals include: increase to at least 97 percent the portion of people who receive a supply of drinking water standards established by the United States Environmental Protection Agency; and reduce potential risks to human health from surface water. The Department of Health Services Strategic Plan includes a goal to systematically attack the underlying causes of preventable disease or hazardous conditions. Without essential Public Water Systems infrastructure improvement, California can anticipate water borne illness outbreaks.

The federal Safe Drinking Water Act amendments of 1966 provided a federal source of funding for Public Water Systems to make needed repairs to their infrastructure to provide safe drinking water to the public. The Department of Health Services established the Safe Drinking Water State Revolving Fund Program in the 1998-1999 Fiscal Year and has since applied for a received eight federal Capitalization Grants each of which averages \$85 million per year. The program is comprised of four set funds at 100 percent federal participation and a loan fund that includes federal and state funds. The set-asides fund administration of the program, water system reliability (capacity development), Public Water System Supervision and Safe Water technical assistance. Positions in administration and capacity development are already permanent while those in Safe Water Systems are presently limited term. The loan fund provides low-interest loans and grants to Public Water Systems for infrastructure improvements to meet applicable federal and state drinking water requirements. The self-sustaining nature of the revolving loan fund will allow it to continue to provide loans indefinitely in the future to Safe Water Systems, many of whom serve disadvantaged communities.

The 1996 Amendments to the federal Safe Drinking Water Act established a new emphasis on preventing contamination problems through enhanced Public Water System management. Central to the emphasis is the development of State prevention programs including Safe Water Systems technical assistance.

The programmatic objectives of the 10.5 staff supported by the Drinking Water Technical Assistance Program are to:

- ✓ Reduce the instances of noncompliance among water systems with dinking water standards and requirements;
- ✓ Establish and assure safe and dependable water supplies for the public;
- ✓ Improve the operation capability of the water systems;
- ✓ Establish or improve the financial, technical and managerial capability of the water systems; and

- ✓ Assist small water systems in the preparation of applications for the Safe Drinking Water State Revolving Fund.

The activities performed to meet the objectives include:

- ✓ Providing direct technical assistance to Small Water Systems with compliance problems and systems that need assistance to enable them to complete the application process to obtain Safe Drinking Water State Revolving Fund Program funding.
 - ✓ Providing technical assistance in accordance with the State's overall Small Water System Technical assistance program.
 - ✓ Directing technical assistance to Small Water Systems with significant violations or other deficiencies that could lead to failures of primary drinking water standards.
 - ✓ Assistance in preparation of Drinking Water State Revolving Fund loan applications, including submittal of required capacity documentation and development of source capacity assessments, technical evaluations, operations plans, emergency plans and budget projections.
 - ✓ Developing staff technical assistance documents with procedures for providing technical assistance, descriptions of available third party assistance and guidance documents.
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- ✓ Department of Health Services, please provide the Subcommittee with an overview of the program.
 - ✓ LAO, do you have any concerns with the proposal?

ISSUE 9: PROPOSITION 50: DRINKING WATER MANAGEMENT PROGRAM

The Department proposes to extend 15.5 limited term positions another two years. The appropriation would be from Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 (Proposition 50). The proposed appropriation for the staffing is \$1.605 million. Proposition 50 is projected to continue for another seven to ten years.

The Department of Health Services has the responsibility to ensure California public drinking supplies meet all applicable federal and state drinking water supplies. The Drinking Water Program has been responsible for regulating and permitting California's Public Water Systems since 1915. The program oversees the activities of 8,500 Public Water Systems that provide water to more than 34 million people. The United States Environmental Protection Agency has designated the Department of Health Services as the primary agency responsible for administration of the federal Safe Water Drinking Act.

Under the provisions of Proposition 50, the Department is responsible for administering Chapter 3 Water Security and Chapter 4 Safe Drinking Water. Proposition 50 provides grants to Public Water Systems from seven funding sources that support specific projects such as water security, reducing reliance on Colorado River water, source water protection, treatment for disinfection byproducts and water quality monitoring. The 15.5 positions are responsible for carrying out the program's financial, accounting, engineering and California Environmental Quality Act activities necessary for the grants. The activities will probably continue for another seven to ten years since the appropriations for the first two years of the Proposition 50 Program were not utilized.

The Department states it is reducing the public' risk of contracting waterborne illnesses by preventing contamination through enhanced Public Water System management, operation and infrastructure improvements.

- ✓ Department of Health Services, please provide the Subcommittee with an overview of the proposal.
- ✓ LAO, do you have any concerns with the proposal?