

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR****MONDAY, APRIL 15, 2013****4:00 P.M. - STATE CAPITOL ROOM 127**

<b>ITEMS TO BE HEARD</b>		
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## ITEMS TO BE HEARD

### 4140 OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT

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#### ISSUE 1: OVERVIEW OF OSHPD AND PROPOSED OSHPD BUDGET

The Office of Statewide Health Planning and Development (OSHPD) develops policies, plans and programs to meet current and future health needs of the people of California. Its programs provide health care quality and cost information, ensure safe health care facility construction, improve financing opportunities for health care facilities, and promote access to a culturally competent health care workforce.

#### PANELISTS

- Office of Statewide Health Planning & Development
- Department of Finance
- Legislative Analyst's Office

#### BACKGROUND

##### ***Seismic Safety***

One of OSHPD's responsibilities is to implement the state's hospital seismic safety requirements. The Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 established a seismic safety building standards program under OSHPD's jurisdiction for hospitals built on or after March 7, 1973. Numerous pieces of legislation since then have amended the Alquist Act, by increasing OSHPD responsibilities and modifying seismic safety deadlines for hospitals. Most recently, SB 90 (Steinberg), Chapter 19, Statutes of 2011 sought to respond to the fiscal challenges facing many hospitals and the resulting difficulty for them to meet the 2013 seismic deadline, thereby facing the real possibility of closure. Therefore, SB 90 authorized OSHPD to grant hospitals an extension of up to seven years beyond the 2013 deadline if specific milestones and public safety conditions were met. OSHPD reports that all hospitals that were not granted an extension, except for one, met the 2013 deadline. The one hospital that did not meet the deadline is working with OSHPD and has a plan in place to get on track with the seismic statutory deadlines. Future deadlines are in 2015 and 2020.

##### ***Mental Health***

The 2012-13 budget eliminated the Department of Mental Health (DMH) by creating the Department of State Hospitals to oversee the state's mental hospitals and by shifting all remaining DMH programs to other state departments. As a part of this reorganization, the Workforce, Education and Training (WET) program, a component of the Mental Health Services Act (MHSA/Proposition 63) was transferred to OSHPD. The WET provides funding to improve the capacity of the mental health workforce. Even prior to this program

transfer, OSHPD administered the Mental Health Loan Assumption Program (MHLAP), a component of WET. The MHLAP awards grants to mental health practitioners working in the public mental health system in hard to fill or retain positions. Issue 2 of this agenda, for OSHPD, covers a proposed Budget Change Proposal (BCP) related to the WET program.

**OSHPD Budget**

The OSHPD's proposed department budget is summarized in the table below. Overall expenditures are proposed to decrease by \$13.8 million (10 percent), primarily reflecting a \$15 million appropriation in one-time Mental Health Services Act (MHSA) funds, for WET programs, which are being continuously appropriated over three years, consistent with the 2012 Budget Act.

OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT					
Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$0	\$74,000	\$74,000	\$0	0%
Federal Trust Fund	4,425,000	1,648,000	1,290,000	(358,000)	(21%)
Reimbursements	348,000	993,000	931,000	(62,000)	(6%)
Special Funds	86,050,000	94,870,000	96,270,000	1,400,000	1.5%
Mental Health Services Fund	6,613,000	38,925,000	24,121,000	(14,804,000)	(38%)
<b>Total Expenditures</b>	<b>\$97,436,000</b>	<b>\$136,510,000</b>	<b>\$122,686,000</b>	<b>(\$13,824,000)</b>	<b>(10%)</b>
Positions	415.1	475.2	471.6	(3.6)	(.7%)

**STAFF COMMENTS/QUESTIONS**

The Subcommittee staff has asked OSHPD to provide the Subcommittee with an overview of the department, its proposed budget, updates on major programs, any new major initiatives or changes underway at the department, and finally a description of how the state's fiscal crisis affected both the department itself as well as Californians through impacts on OSHPD programs.

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**Staff Recommendation:** Informational issue; no action recommended.

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**ISSUE 2: WET TRANSITION UPDATE AND BUDGET CHANGE PROPOSAL**

The 2012 budget transferred the MHSA Workforce Education and Training (WET) component of the Mental Health Services Act (MHSA) to OSHPD as a part of the elimination of the Department of Mental Health (DMH). The following includes an update on this transition.

Through a January Budget Change Proposal (BCP), OSHPD requests \$196,000 in one-time MHSA funds to contract with an independent evaluator to develop and carry out a needs assessment that will inform its required Five-Year WET Plan.

**PANELISTS**

- Office of Statewide Health Planning & Development
- Department of Finance
- Legislative Analyst's Office

**BACKGROUND*****Update on Transfer of MHSA WET Program to OSHPD in 2012***

The WET, now located within the Health Professions Education Foundation (Foundation) within OSHPD, targets workforce development programs to remedy the shortage of qualified individuals to provide services to address severe mental illness. No concerns have been brought to the Subcommittee's attention regarding this transition and OSHPD states that the transition was successful.

Since the transfer on July 1, 2012, OSHPD has engaged in the following activities:

- Created an advisory committee comprised of stakeholders to advise OSHPD on WET programs.
- Received feedback from the advisory committee on the draft Five-Year Plan Vision, Values, and Mission.
- Developed the WET Five-Year Plan Advisory Sub-Committee to focus on the Five-Year Plan. The Sub-Committee provided feedback on the stakeholder engagement process, needs assessment scope of work, and draft Five-Year Plan Vision, Values, & Mission.
- Started focus groups and community forums. A total of 14 are planned and specific locations are still to be decided.
- Began a stakeholder engagement process to develop the Five-Year Plan due April 2014.

- Issued two Psychiatric Residency Request for Proposals (RFP). The second RFP was issued and posted on February 1, 2013. The Psychiatric Residency Program trains psychiatric residents in the public mental health system.
- Finalized awards for the 2012-13 Mental Health Loan Assumption Program Cycle. 1,823 applications were received, over 1,300 applications reviewed, and 1,109 were awarded.

***Budget Change Proposal***

AB 1467, a 2012 budget trailer bill, requires OSHPD to develop a Five-Year WET Plan. The Five-Year Plan must be informed by an evaluation of the relative efficacy of current state-level WET strategies and must include objectives to establish, expand, and/or promote the following: high school, university and post-secondary education pathways; scholarships, loan forgiveness and stipends for current and prospective public mental health system employees; regional partnerships; psychiatric residency programs; staff training curriculum; and the employment of consumers and family members in the public mental health system.

The Five-Year Plan must be developed pursuant to a stakeholder process and be approved by the California Mental Health Planning Council. To fulfill these requirements, OSHPD proposes to carry out a needs assessment to determine the efficacy of the current state-level WET programs, present the outcomes of the needs assessment to key public mental health stakeholders, engage stakeholders in the development of a new Five-Year Plan, and draft a new Five-Year WET Plan.

The current Five-Year WET Plan is effective until April 1, 2013 and will serve as a baseline. The current plan includes the following components: 1) stipend programs; 2) psychiatric residency programs; 3) the Mental Health Loan Assumption Program; 4) a mental health component to the Song-Brown Residency Program; 5) regional partnerships; and 6) a client and family member Statewide Technical Assistance Center.

OSHPD states that the development of the next 5-year plan requires an independent evaluator to: 1) survey California's public mental health system; 2) analyze available information on California's mental health workforce needs; 3) assess the impact WET funds are having on the state's ability to address California's mental health workforce needs; and 4) identify gaps in current strategies. The evaluator will be required to: 1) manage the project; 2) facilitate meetings to gather information; 3) calibrate local and statewide needs to the existing baseline; 4) draft an evaluation; and 5) write the new Five-Year Plan.

**STAFF COMMENTS/QUESTIONS**

The Subcommittee has asked OSHPD to present this BCP and to provide an update on the transfer of the WET program from the former-DMH to OSHPD. No concerns have been raised with the Subcommittee with regard to either issue.

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**Staff Recommendation:** Approve BCP as budgeted.

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**4265 DEPARTMENT OF PUBLIC HEALTH**

**ISSUE 1: WOMEN, INFANTS, & CHILDREN (WIC) ESTIMATE**

DPH requests an increase of \$35.5 million in federal funds and \$2 million in WIC Manufacturer Rebate Funds for the WIC program. This requested increase in expenditure authority is a result of the expectation that the WIC participant levels will increase by 1.32 percent and an increase in food costs of 2.56 percent. Additionally, manufacturer rebates are anticipated to increase by 4.2 percent based on the anticipated increase in participation and the increased per-can rebate received under the infant formula rebate contract.

WIC Current Year and Budget Year Expenditures				
Fund Source	2012-13 Projected	2013-14 Proposed	CY to BY Change	% Change
Federal Trust Fund	\$1,236,175,000	\$1,271,641,000	\$35,466,000	3%
Special Funds	\$253,000,000	\$255,000,000	\$2,000,000	1%
<b>TOTAL EXPENDITURES</b>	<b>\$1,489,175,000</b>	<b>\$1,526,641,000</b>	<b>\$37,466,000</b>	<b>3%</b>

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst’s Office
- Public Comment

**BACKGROUND**

WIC provides supplemental food and nutrition to low-income women (185 percent of poverty or below) who are pregnant and/or breastfeeding, and for children under age five who are at nutritional risk. WIC is not an entitlement program and must operate within the annual grant awarded by the USDA.

Local WIC Agencies issue WIC participants paper vouchers to purchase approved foods at authorized stores. Examples of foods are milk, cheese, iron-fortified cereals, juice, eggs, beans/peanut butter, and iron-fortified infant formula.

The goal of WIC is to decrease the risk of poor birth outcomes and improve the health of participants during critical times of growth and development. The amounts and types of

food WIC provides are designed to meet the participant’s enhanced dietary needs for specific nutrients during short but critical periods of physiological development.

WIC participants receive services for an average of two years, during which they receive individual nutrition counseling, breastfeeding support, and referrals to needed health and other social services. From a public health perspective, WIC is widely acknowledged as being cost-effective in decreasing the risk of poor birth outcomes and improving the health of participants during critical times of growth and development.

**WIC Funding**

DPH states that California’s share of the national federal grant appropriation has remained at about 17 percent over the last 5 years. Federal funds are granted to each state using a formula specified in federal regulation to distribute the following:

- **Food.** Funds for food that reimburses WIC authorized grocers for foods purchased by WIC participants. The USDA requires that 75 percent of the grant must be spent on food. WIC food funds include local Farmer’s Market products.
- **Nutrition Services and Administration.** Funds for Nutrition Services and Administration (NSA) Funds that reimburse local WIC agencies for direct services provided to WIC families, including intake, eligibility determination, benefit prescription, nutrition, education, breastfeeding support, and referrals to health and social services, as well as support costs. States manage the grant, provide client services and nutrition education, and promote and support breastfeeding with NSA Funds. Performance targets are to be met or the federal USDA can reduce funds.
- **WIC Manufacturer Rebate Fund.** Federal law requires states to have manufacturer rebate contracts with infant formula providers. These rebates are deposited in this special fund and must be expended prior to drawing down Federal WIC food funds.

**Caseload**

DPH expects caseload to increase by 1.32% annually based upon a five-year average in participation rates, as shown in the chart below.

WIC CASELOAD (By Federal Financial Year)							
	2007	2008	2009	2010	2011	2012	5-Year Ave.
<b>Average Annual Participation</b>	1,378,794	1,412,210	1,439,006	1,459,406	1,466,321	1,472,347	
<b>Percent Increase</b>		2.42%	1.90%	1.42%	0.47%	0.41%	1.32%

**Maximum Reimbursement Rate Methodology**

The maximum amount that vendors are reimbursed for WIC food is based on the mean price per redeemed food instrument type by peer group with a tolerance for price variances (referred to as MADR). Effective May 25, 2012, USDA directed CA WIC to remove 1-2 and 3-4 case register WIC vendors from the MADR-determination process and instead set MADR for these vendors at a certain percentage higher than the average redemption value charged by vendors with five or more registers in the same geographic region. The USDA was concerned that California was paying 1-2 and 3-4 cash register stores up to 50 percent higher than prices paid to other vendors. The WIC program submitted a plan to USDA to address price competitiveness, MADR methodology and cost containment on October 3, 2012 and anticipates a decision from USDA shortly.

**Federal Sequestration**

It is possible that federal sequestration will result in a major reduction to the WIC program. President Obama submitted a report to Congress identifying potential sequestration should Congress be unable to come to a long-term deficit reduction deal by January 2013. The report identifies a possible 8.2 percent reduction (approximately \$543 million nationally) to the WIC program. However, DPH points out that the USDA committed to fully funding the WIC program to meet caseload needs, likely by transferring SNAP (food stamps) funds to WIC. As of the Subcommittee's pre-hearing on April 5, 2013, DPH had no new, definitive information to share on sequestration, but expects to receive new information from Washington, D.C. any day.

**STAFF COMMENTS/QUESTIONS**

Subcommittee staff has asked DPH to provide an overview of the proposed WIC budget, including any available updates to MADR and sequestration, and to respond to the following question:

1. What is the reason that caseload increase is projected based on an average of five years when there appears to be a clear decreasing trend in the rate of increase?

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**Staff Recommendation:** Staff recommends holding this item open, pending updated information on MADR and possibly sequestration at May Revise.

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**ISSUE 2: LICENSING & CERTIFICATION (L&C) ESTIMATE**

The L&C Program total estimated 2013-14 budget includes \$184.16 million, an increase of \$1.4 million (.7% increase) over the current year (2012-13). The \$1.4 million increase reflects two new proposals related to audits staffing and healthcare associated infections data reporting, which are described in the following two issues in this agenda.

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

L&C licenses, regulates, inspects and/or certifies health care facilities in California, on behalf of both the state and federal governments. L&C regulates approximately 19 different types of health care facilities, such as hospitals and nursing homes, and also oversees the certification of nurse assistants, home health aides, hemodialysis technicians, and the licensing of nursing home administrators.

L&C's field operations are implemented via 14 district offices throughout the state, and through a contract with Los Angeles County. The field operations investigate complaints about facilities, primarily long-term care facilities, conduct periodic facility surveys, and assess penalties. L&C receives approximately 6,000 complaints per year, and 10,000 entity-reported incidents.

Funding for L&C is predominantly revenue from licensing fees, which are used to match federal funds. DPH also receives reimbursement funding from DHCS for conducting federal certification work for Medi-Cal and Medicare. The only General Fund in L&C is a \$5 million appropriation for licensing work related to state-owned facilities.

***Health Facility License Fee Report***

Existing statute requires the L&C Program to annually publish a Health Facility License Fee Report (DPH Fee Report) by February of each year. The purpose of this annual DPH Fee Report is to provide data on how the fees are calculated and what adjustments are proposed for the upcoming fiscal year.

The DPH Fee Report utilizes the requirements of existing statute for the fee calculations, and makes certain "credit" adjustments. The DPH notes that these "credits" are most likely one-time only and that fees are calculated based solely on the statutorily prescribed workload methodology as contained in statute.

The “credits” are applied to offset fees (e.g., hold the fee stable or reduce the fee) for 2013-14 and total \$15.1 million. They are as follows:

- \$3.5 million credit for miscellaneous revenues for changes in ownership and late fees; and
- \$11.6 million credit from the program reserve (which is largely a result of vacancies due to the state’s hiring freeze).

#### *L&C Fee Methodology*

Licensing fee rates are structured on a per “facility” or “bed” classification and are collected on an initial license application, an annual license renewal, and change of ownership. The fees are placed into a special fund—the Licensing and Certification Special Fund.

The fee rates are based on the following activities:

- Combines information on projected workload hours for various mandated activities by specific facility type (such as skilled nursing home, community-based clinic, or hospital).
- Calculates the State workload rate percentage of each facility type to the total State workload.
- Allocates the baseline budget costs by facility type based on the State workload percentages.
- Determines the total proposed special fund budget cost comprised of baseline, incremental cost adjustments, and credits.
- Divides the proposed special fund cost per facility type by the total number of facilities within the facility type or by the total number of beds to determine a per facility or per bed licensing fee.

The DPH Fee Report provides considerable detail regarding these calculations, data on L&C workload associated with the various types of health care facilities, and a description regarding the details of the methodology. The DPH Fee Report of February 2013 proposes slight changes to fees as shown in the table below.

**PROPOSED LICENSING AND CERTIFICATION FEE SCHEDULE (FEBRUARY 2013)**

LICENSE FEES BY FACILITY TYPE			
FACILITY TYPE	FEE PER BED OR FACILITY	FY 2012-13 FEE AMOUNTS	FY 2013-14 PROPOSED FEE AMOUNTS
ALTERNATIVE BIRTHING CENTERS	FACILITY	\$2,975.24	\$2380.19
ADULT DAY HEALTH CENTERS	FACILITY	\$4,164.92	\$4164.92
CHRONIC DIALYSIS CLINICS	FACILITY	\$3578.29	\$2,862.63
CHEMICAL DEPENDENCY RECOVERY HOSPITALS	BED	\$191.27	\$191.27
COMMUNITY CLINICS	FACILITY	\$718.36	\$718.36
CORRECTIONAL TREATMENT CENTERS	BED	\$573.70	\$573.70
HOME HEALTH AGENCIES	FACILITY	\$4,315.47	\$4,452.38
HOSPICES (2-YEAR LICENSE TOTAL)	FACILITY	\$4,641.96	\$3,713.56
HOSPICE FACILITIES*	BED	\$312.00	\$312.00
PEDIATRIC DAY HEALTH/RESPITE CARE	BED	\$188.01	\$150.41
PSYCHOLOGY CLINICS	FACILITY	\$1,476.66	\$1,476.66
REFERRAL AGENCIES	FACILITY	\$4,368.01	\$3,494.41
REHAB CLINICS	FACILITY	\$259.35	\$259.35
SURGICAL CLINICS	FACILITY	\$2,487.00	\$2,487.00
ACUTE PSYCHIATRIC HOSPITALS	BED	\$266.58	\$266.58
DISTRICT HOSPITALS LESS THAN 100 BEDS	BED	\$266.58	\$266.58
GENERAL ACUTE CARE HOSPITALS	BED	\$266.58	\$266.58
SPECIAL HOSPITALS	BED	\$266.58	\$266.58
CONGREGATE LIVING HEALTH FACILITIES	BED	\$312.00	\$312.00
INTERMEDIATE CARE FACILITIES	BED	\$312.00	\$312.00
SKILLED NURSING FACILITIES	BED	\$312.00	\$312.00
ICF – DEVELOPMENTALLY DISABLED	BED	\$580.40	\$580.40
ICF – DD HABILITATIVE	BED	\$580.40	\$580.40
ICF – DD NURSING	BED	\$580.40	\$580.40

\*Pursuant to SB 135 (Chapter 673, Statutes of 2012), a new Hospice Facility Licensure Category was established. In the first year of licensure, the fee shall be equivalent to Congregate Living Health Facilities.

*CMS Concerns with L&C*

On June 20, 2012, the federal Centers for Medicare and Medicaid (CMS) sent a letter to DPH expressing concern with the ability of DPH to meet many of its current Medicaid survey and certification responsibilities. In this letter, CMS states that its analysis of data and ongoing discussions with DPH officials reveal the crucial need for California to take effective leadership, management and oversight of DPH's regulatory organizational structure, systems, and functions to make sure DPH is able to meet all of its survey and certification responsibilities. The letter further states that "failure to address the listed concerns and meet CMS' expectations will require CMS to initiate one or more actions that would have a negative effect on DPH's ability to avail itself of federal funds." Finally, CMS acknowledges that the state's fiscal situation in the last few years, and the resulting hiring freezes and furloughs, has impaired DPH's ability to meet survey and certification responsibilities.

As a result of these concerns, CMS set benchmarks for DPH to attain and is requiring quarterly updates from DPH on its work plans and progress on meeting these benchmarks. In its July 2012 report to CMS, DPH reported that it met 30 of the 33 benchmarks for that quarter. In its September 2012 report to CMS, DPH reported that it met 38 of the 41 benchmarks for that quarter. DPH indicates that it still faces challenges in: 1) meeting the 10-day timeframe to forward to certain non-compliances to the CMS regional office; and 2) closing complaints within 60-days and was unable to meet benchmarks related to these challenges.

#### *Insufficient Staff to Address Workload*

According to the L&C 2012 November Estimate, in order for L&C to meet 100 percent of its mandated workload, an additional 122 positions are needed in the field. However, the Administration has no proposal to increase staff to ensure that mandated work be performed or to improve the state's ability to meet all of the CMS benchmarks discussed above. In the past, it has been difficult to fill Health Facility Evaluator Nurses (HFEN) positions, and, consequently, these classifications had a high vacancy rate; HFENs conduct health facility surveys and respond to complaints. However, in December 2012, L&C noted that the HFEN vacancy rate was 4 percent, generally considered a low vacancy rate. Hence, it appears that there is genuinely a need for additional HFENs to perform L&C activities.

#### **STAFF COMMENTS/QUESTIONS**

L&C proposes to use fund reserves to decrease L&C fees yet is not requesting any additional staff to meet its mandated workload. Given CMS' concerns, it is unclear why the reserve funds are not being used to address workload needs.

The Subcommittee has requested DPH to provide an overview of the L&C estimate and to respond to the following:

1. Please provide a brief summary of the L&C Fees, including the key credits and adjustments.
2. Please provide an update on CMS' concerns and the steps DPH has taken to meet CMS benchmarks.
3. Please explain how L&C determined that an additional 122 positions would be needed to meet workload requirements.
4. Please provide an update on the status of regulations on hospital administrative penalties and hospital fair pricing.

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**Staff Recommendation:** Hold open pending updates at May Revise.

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**ISSUE 3: STAR-STAFFING AUDIT SECTION REQUEST**

DPH requests an increase of \$200,000 in reimbursement authority (from the Department of Health Care Services) to perform increased workload regarding the auditing of required nursing hours per patient day for free-standing skilled nursing facilities (SNFs).

To complete this workload, two Associate Governmental Program Analyst positions and one Office Technician from the Staffing Audit Section will be reclassified to create three Staff Counsel Positions in the Office of Legal Services. The requested increased reimbursement authority is the salary differential of these positions.

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

Health and Safety Code Section 1276.5 requires L&C to assess administrative penalties when a SNF fails to meet the nursing hours per patient day requirements in state law. When a penalty is assessed, the facility may file an appeal. DPH anticipates receiving 50 appeals per year. The positions requested under this proposal would conduct quality assurance of this process and work on appeals.

**STAFF COMMENTS/QUESTIONS**

Subcommittee has asked DPH to present this proposal.

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**Staff Recommendation:** Approve as budgeted.

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**ISSUE 4: HEALTHCARE ASSOCIATED INFECTIONS PUBLIC REPORTING BCP**

DPH requests an increase of \$1.2 million from the Internal Departmental Quality Improvement Account (IDQIA) to extend 8 contract positions in the Health Associated Infections (HAI) Program's Infection Preventionist (IP) Liaison Unit for two additional years.

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

In California's General Acute Care Hospitals (GACHs), an estimated 240,000 infections, 13,500 deaths, and \$3.1 billion in excess health care costs result annually from HAIs. In 2009, the DPH implemented the HAI Program to reduce the harm and cost of HAIs, as required by the following legislation: 1) SB 739 (Speier), Chapter 526, Statutes of 2006; 2) SB 158 (Florez), Chapter 294, Statutes of 2008; and, 3) SB 1058 (Alquist), Chapter 296, Statutes of 2008. The program is required to take specific actions to protect against HAI in GACHs statewide, including receiving reports on implementation of infection surveillance, infection prevention process measures and the occurrence of HAI.

The primary objectives of the IP team are to ensure use of HAI data for the prevention of infections. They perform all outreach to hospitals in the form of onsite visits, phone consultations, education/coaching to use data to reduce HAI, data validation and support. Hospitals may request assistance and/or are contacted by the locally-assigned liaison for high rates of infections or poor data quality. The HAI program also provides monthly regional conference calls, educational offerings, and outreach projects (i.e. prevention collaborative projects, data validation projects, and "data for action" site visits).

The 8 positions, proposed to be extended, have been supported with a federal grant from September 2009 – July 2013. The IDQIA, which has a substantial fund balance, contains revenue from fines paid by hospitals for the most serious types of healthcare errors.

**STAFF COMMENTS/QUESTIONS**

The Subcommittee staff has asked DPH to present this proposal.

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**Staff Recommendation:** Approve as budgeted.

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**ISSUE 5: DRINKING WATER STATE REVOLVING FUND – SMALL WATER SYSTEMS SPRING FINANCE LETTER & DRINKING WATER PROGRAM ISSUES**

On April 1, 2013, the Legislature received this Spring Finance Letter (SFL) from DPH requesting 7.0 permanent positions and \$3.74 million (Safe Drinking Water State Revolving Fund) to address small community water systems that are currently not in compliance with primary drinking water quality standards.

Directly related to this proposal, the Drinking Water (DW) program at DPH has been the subject of much discussion recently amongst various advocates, stakeholder, and legislative and administration staff. This discussion has been generated by: 1) various policy arguments that can be made that the DW program would benefit from being located in another of the state's water-related departments; and 2) various identified deficiencies specific to the operation of the program at DPH. These issues are discussed in more detail below.

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND*****Spring Finance Letter***

Currently, over 98 percent of California's population served by community water systems (more than 36 million people) receives drinking water that meets all primary (health-based) drinking water standards. Approximately 57,000 individuals (<1 percent of the State's population) are served by small water systems that fail one or more health-based standards. The majority of these individuals live in disadvantaged, often rural, communities served by small water systems.

There are approximately 2,300 small community water systems in California (systems that serve less than 1,000 service connections). Of these, approximately 181 (8 percent) are not in compliance with one or more health-based drinking water standards. DPH explains that small water systems, and the communities that they are in, face significant compliance challenges that large water systems do not face. In general, they lack sufficient financial resources and opportunities for economies of scale. Specifically, small water system lack:

- Affordable, technically-appropriate, cost-effective solutions
- Engineering support to assess alternatives and design solutions

- Basic information on necessary quantity and quality of water
- Clear ownership of water system; no legal entity for DPH to contract with
- Clear water rights
- Knowledge and sophistication necessary to apply for and successfully enter into a funding agreement with the State; no grant writing capacity
- Legal support
- Financial resources to afford a loan, or other outstanding debt

DPH administers the Safe Drinking Water State Revolving Fund (SDWSRF), which provides low-interest loans to water systems, which when repaid (principal and interest) can continue to fund projects indefinitely. The SDWSRF also provides grants to water systems that serve disadvantaged communities. The SDWSRF prioritizes funding requests, reviews applications, determines eligibility, and issues funding agreements to finance infrastructure improvements to protect public health. SDWSRF staff review and approve plans and specifications for construction, conduct environmental review, monitor project progress, conduct field inspections, process invoices to water systems for payment during project construction, and process repayment invoices for loans. Finally, they seek to ensure water systems have the necessary technical, managerial, and financial capacity to operate effectively.

DPH explains that while there has been significant success by DPH in addressing the water quality and funding needs of large water systems, small water systems have not received the same level of attention. In response to the on-going challenges for small water systems, DPH: 1) convened a stakeholder group to address the needs of communities affected by nitrates in drinking water; and 2) created a Pre-Planning and Legal Entity Formation Assistance Program to assist small communities disproportionately affected by drinking water contaminants to access project funding. Pre-planning activities include improving or establishing governance, formation of public water systems, or consolidation efforts.

With the staff and resources being requested in this SFL, DPH intends to create a Small Water System Support Unit to provide a higher level of assistance to small water systems. DPH explains that providing funding and technical assistance to these small water systems is clearly within the charge of DPH. DPH's goal is to bring all small water systems into sustainable compliance with primary drinking water standards.



***General Concerns Regarding the Drinking Water Program***

Over the past several years, the Legislature has focused oversight efforts on the provision of safe drinking water throughout the state, and in particular to small, disadvantaged communities mainly in rural areas. The 1969 Porter-Cologne Water Quality Act established the state's role in the protection of water quality and was followed by various groundwater and drinking water protection laws throughout the following decades. The Legislature, starting in 2008, has held numerous oversight hearings discussing groundwater and drinking water legislation, with a focus on providing clean drinking water, and looking at the root causes of water quality degradation. The conclusion of these hearings, as well as various reports, is that the majority of water supply in California is safe and clean. However, where there are gaps in some areas, the provision of water is a challenge, particularly in small, disadvantaged and rural communities.

Chapter 1, Statutes of 2008 (SBx2 1, Perata), required the State Water Resources Control Board (State Board), in consultation with other agencies, to prepare a report to the Legislature outlining the causes of groundwater contamination and identifying potential remediation solutions and funding sources to recover state costs of providing clean drinking water to all communities. This report, prepared by UC Davis researchers, provides the basis for much of the groundwater and drinking water discussion this year. In addition, AB 685 (Eng, Chapter 685, Statutes of 2012) declares that it is the established policy of the state that every human have the right to water for domestic uses. The law requires state agencies to consider this as they move forward with water policies in the future.

***Shifting Drinking Water to the Water Board***

In a report entitled *Evaluating the Potential Transfer of Drinking Water Activities from DPH to SWRCB*, the Legislative Analyst's Office (LAO) further documented stakeholders concerns with regard to DPH including: its lack of integration with overall water quality management; slow distribution of financial assistance; slow rulemaking process; insufficient fee structure leading to inadequate administrative resources; and, lack of transparent decision-making. The LAO's report stated that 30 states have consolidated drinking water and water quality programs in a single state entity and that some have consolidated their revolving loan programs (CWSRF and DWSRF). The LAO concluded transferring DWP to SWRCB could have several potential advantages including greater policy integration on water issues; accelerated rulemaking; increased efficiencies and administrative capacity; and heightened transparency and greater public participation by utilizing a board that meets in public. The LAO's report also cautioned that there could be potential disadvantages, including: loss of integration with public health programs that monitor infectious diseases and incidences of birth defects and cancer; temporary disruption in the program's capacity to perform regulatory activities; and, potentially increased, mainly short-term, costs to relocate staff, reclassify positions, and integrate information technology systems.

Though the budget does not specifically address this issue, there are hints that the Administration is considering a shift that would place the drinking water program under the State Water Board's jurisdiction. This would allow for the combination of the two federally funded infrastructure loan programs (drinking water and wastewater), and could bring efficiencies in the administration of water programs, particularly in rural areas. SB 117 (formerly authored by Senator Rubio), introduced this year, would transfer the various duties and responsibilities imposed on the DPH by the California Safe Drinking Water Act to the State Board and make conforming changes. AB 145 (Perea) also proposes to move the program from DPH to the State Water Board.

<b>STAFF COMMENTS/QUESTIONS</b>
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Subcommittee staff has asked DPH to present the Spring Finance Letter proposal, and to address the concerns being raised generally about the Drinking Water program at DPH.

- 1) With regard to the SFL, please explain in detail the source of the funding.

With regard to general concerns about the Drinking Water program, Subcommittee staff provided the following questions to DPH on April 2, 2013, and has not received responses as of the finalizing of this agenda:

- 1) How much funding has been distributed each year for the past five years?
  - a. By each size of systems?
  - b. By county?
  - c. By DACs versus non-DACs?
  - d. By contaminant and/or infrastructure need?
- 2) Comparing projects on the "Project Priority List" versus "Executed Agreements":
  - a. How much funding is applied for, versus how much funding is allocated?
  - b. What size and types (e.g. DACs vs non-DACs) of systems apply for funding versus what size and types of systems get funded?
- 3) What is the average time for an SRF applicant to go from pre-application to project completion (including planning and construction)? What is the average time for a disadvantaged community applicant to go from pre-application to project completion?
- 4) Does CDPH need more PYs to accomplish moving DACs through the funding processes more efficiently? How is CDPH working to streamline its application and reimbursement funding processes for severely disadvantaged communities and emergency projects?

- 5) How many of the systems under 200 connections are missing monitoring data in the electronic databases? Does CDPH need more PYs to ensure data submission requirements are being enforced?
- 6) What is the schedule for establishing MCLs for 123 TCP and Hexavalent Chromium? Why has it taken so long to get these processes started when there has been a PHG in place for many years? How many PYs do you have for these processes? Do you need more to ensure you can meet your legislative mandates and establish health standards for these contaminants?

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**Staff Recommendation:** Staff recommends holding open the Spring Finance Letter at this time in order to provide additional time for review. With regard to the overall Drinking water program issues discussed above, staff recommends allowing any new policy changes to be worked out through the current policy bills.

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**ISSUE 6: RECYCLED WATER PROGRAM BCP**

DPH requests 3.0 one-year limited-term positions and \$700,000 in reimbursement authority with the State Water Resources Control Board (SWRCB) to develop and adopt water recycling criteria for indirect potable reuse of recycled water through ground water recharge and surface water augmentation. The proposal also includes convening of an expert panel to review and make a finding on the criteria for the indirect potable reuse using surface water augmentation. SWRCB has submitted a corresponding budget request. This request is a component of the implementation of SB 918 (Pavley), Chapter 700, Statutes of 2010.

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

California water supplies are increasingly limited due to changes in weather patterns, population growth, and other factors. Recycled water is wastewater, which has been treated and is suitable for various uses. Depending on the degree of treatment, recycled water may be suitable for many uses, including: domestic uses, such as tap water; agricultural uses, such as irrigation; recreational uses, such as swimming pools; or industrial uses, such as water used for cooling in manufacturing processes.

SB 918 seeks to expand the use of recycled water as a water resource. Recycled water is wastewater that has been treated to meet standards determined to be appropriate, based on the beneficial use of the recycled water and the potential human exposure. Increased use of recycled water would expand the availability of existing potable water supplies, would improve water system reliability in the event of ongoing drought or other water shortages, could provide an economic benefit to communities by decreasing the need for importation of more expensive water supplies, and by allowing communities to expand their water supplies to accommodate the expected growth of the state.

SB 918 requires:

- DPH to develop and adopt criteria (regulations) for indirect potable water reuse, as follows:
  - For groundwater recharge by December 31, 2013; and
  - For surface water augmentation by December 31, 2016, after the expert panel makes a finding that the criteria are adequately protective of public health.

- DPH to investigate and report to the Legislature by December 31, 2016, on the feasibility of developing regulations for direct potable reuse. A draft report must be available for public review by June 30, 2016, with a minimum 45-day public review and comment period.
- DPH to convene an expert panel to advise them. The bill describes the professional composition of the panel. The panel would:
  - Review the draft criteria for surface water augmentation, and must make a finding that the criteria is adequately protective of public health before DPH may adopt the criteria.
  - Advise DPH on the investigation of the feasibility of developing criteria for direct potable reuse.
- DPH to convene an advisory group comprised of representatives of water and wastewater agencies, local public health officers, environmental organizations, environmental justice organizations, public health nongovernmental organizations, and the business community to advise DPH regarding the development of uniform water recycling criteria for direct potable reuse.
- DPH, in consultation with SWRCB, to submit written reports to the Legislature as part of the annual budget process from 2011 – 2016 on the progress of developing and adopting the criteria for surface water augmentation and the feasibility investigation.
- SB 918 authorizes the SWRCB to provide funding from the Waste Discharge Permit Fund to assist DPH with the requirements of SB 918. DPH has met with SWRCB, which has indicated that the annual amount available in this fund varies based on penalties collected. SWRCB has informed DPH that \$1.4 million is available starting July 1, 2012 to begin the implementation of SB 918.

According to DPH, the funding available from SWRCB is insufficient to fund all the requirements of the statute. If additional funding is identified at a future time, DPH will submit another BCP to request the additional appropriation authority necessary to complete the mandates of SB 918.

The 2012 Budget Act appropriated \$700,000 in expenditure authority to the SWRCB from the Waste Discharge Permit Fund to begin a contract with DPH to implement provisions of SB 918. DPH and SWRCB are still working on an interagency agreement for these efforts.

***LAO Findings and Recommendation***

The LAO recommends approval of this proposal on a workload basis to meet the requirements of SB 918. However, the LAO recommends that DPH report at budget hearings on which competing statutory priorities are delaying implementation of SB 918. This information will allow the Legislature to assess whether DPH's prioritization of workload reflects the Legislature's priorities. The LAO also recommends the Legislature require DPH to report at budget hearings on the additional resources that would be necessary, to fully meet the statutory requirements of SB 918.

**STAFF COMMENTS/QUESTIONS**

The Subcommittee has requested DPH to present this BCP and respond to the following questions:

1. What activities of SB 918 will not be funded under this request?
2. What are the additional resources that would be necessary to fully meet the statutory requirements of SB 918?
3. Did DPH meet the SB 918 requirement to develop regulations for indirect portable water reuse for groundwater recharge by December 31, 2013?

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**Staff Recommendation:** Approve as budgeted.

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**ISSUE 7: PROPOSITION 50 BCP**

The DPH requests the following:

1. A \$22 million local assistance appropriation in Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.
2. Budget Bill Language to revert, effective June 30, 2013, all unspent Proposition 50 funds (\$63.3 million) from the 2009-10 appropriations.
3. Provisional Budget Bill Language that authorizes DPH to increase its Proposition 50 expenditure authority above the requested \$22 million appropriation upon approval from the Department of Finance (DOF).

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

DPH has statutory authority to administer a regulatory program to ensure California public drinking water supplies meet all applicable federal and state drinking water standards. DPH's Drinking Water Program (DWP) has regulated and permitted public water systems (PWS) since 1915.

DWP provides ongoing surveillance and inspection of PWS, issues operational permits to the systems, ensures water quality monitoring is conducted, and takes enforcement actions when violations occur. The program oversees the activities of approximately 8,000 public water systems (PWS) that serve more than 34 million Californians. In addition, DPH is designated by the U. S. Environmental Protection Agency (EPA) as the primary agency responsible for administering the federal Safe Drinking Water Act (SDWA) in California.

In 2002, California voters approved Proposition 50, a \$3.44 billion water bond measure known as the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002. Proposition 50 provides funds to a consortium of state agencies and departments to address a wide continuum of water quality issues. DPH anticipates receiving up to \$485 million over the course of this bond measure for water projects, as follows:

- Chapter 3—Water Security (\$50 million). Proposition 50 provides a total of \$50 million for functions pertaining to water security, including the following:
  - 1) monitoring and early warning systems;
  - 2) fencing;
  - 3) protective structures;

- 4) contamination treatment facilities; 5) emergency interconnections; 6) communications systems; and 7) other projects designed to prevent damage to water treatment, distribution, and supply facilities.
- Chapter 4—Safe Drinking Water (\$435 million). Proposition 50 provides \$435 million to DPH for expenditure for grants and loans for infrastructure improvements and related actions to meet safe drinking water standards. A portion of these funds will be used as the state’s match to access federal capitalization grants.

The Proposition states that the funds can be used for the following types of projects: 1) grants to small community drinking water systems to upgrade monitoring, treatment, or distribution infrastructure; 2) grants to finance development and demonstration of new technologies and related facilities for water contaminant removal and treatment; 3) grants for community water quality; 4) grants for drinking water source protection; 5) grants for treatment facilities necessary to meet disinfectant by-product safe drinking water standards; and 6) loans pursuant to the Safe Drinking Water State Revolving Fund (i.e., whereby the state draws down an 80 percent federal match). In addition, it is required that not less than 60 percent of the Chapter 4 funds be available for grants to Southern California water agencies to assist in meeting the state’s commitment to reduce Colorado River water use.

Of the \$485 million outlined in the bond measure, \$353.8 million was made available for commitment to new water projects after accounting for bond costs (\$16.975 million), state administration costs (\$24.250 million), and the state match for the State Revolving Fund (\$90 million). To date, DPH has executed 52 funding agreements for Proposition 50 projects, totaling \$189 million.

### ***LAO Findings and Recommendation***

The LAO recommends that the Legislature reject the Administrations’ proposed provisional budget bill language that would allow DOF to increase expenditure authority above the requested \$22 million. The LAO finds that the Administration should request the level of funding it believes necessary to fund shovel-ready projects in 2013–14. Historically, this is how funding to implement Proposition 50 has been appropriated.



<b>STAFF COMMENTS/QUESTIONS</b>
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The Subcommittee has requested DPH to respond to the following questions.

1. Please provide an update regarding Proposition 50 bonds.
2. Please provide a brief summary of the budget request.
3. Please discuss what steps the drinking water program has taken to improve its
4. ability to more quickly fund projects.

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**Staff Recommendation:** Staff recommends the following actions:

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1. **Approve** the \$22 million local assistance appropriation in Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.
2. **Approve** the Budget Bill Language to revert, effective June 30, 2013, all unspent Proposition 50 funds (\$91.5 million) from prior appropriations through 2009-10.
3. **Reject** the Provisional Budget Bill Language that authorizes DPH to increase its Proposition 50 expenditure authority above the requested \$22 million appropriation upon approval from the Department of Finance (DOF).

**ISSUE 8: PROPOSITION 84 BCP**

DPH requests the following:

1. A \$48 million local assistance appropriation for Proposition 84, Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006.
2. Budget bill language that allows the amount appropriated to be available for expenditure until June 30, 2016.
3. Provisional Budget Bill Language that authorizes DPH to increase its Proposition 84 expenditure authority above this \$48 million appropriation upon approval from the Department of Finance (DOF).

**PANELISTS**

- Department of Public Health
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**BACKGROUND**

On November 6, 2006, California voters passed Proposition 84, a \$5.4 billion water bond measure, known as the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006. Under the provisions of Proposition 84, DPH is responsible for administering three grant programs under Chapter 2 "Safe Drinking Water and Water Quality Projects" with approximately \$300 million in grants for public water systems. The Proposition 84 funds are designated in the Public Resources Code as follows:

- Section 75021(a) provides \$10 million to DPH for grants and direct expenditures to fund emergency and urgent actions to ensure that safe drinking water supplies are available to all Californians.
- Section 75022 provides \$180 million to DPH for grants to small community drinking water systems for infrastructure improvements and related actions to meet safe drinking water standards with priority given to address chemical and nitrate contaminants. It also allows DPH to expend up to \$5 million of the funds for technical assistance to eligible communities.
- Section 75023 provides \$50 million to DPH to provide the 20 percent state match to access the federal capitalization grant for public water system infrastructure improvements. These funds are deposited into the Safe Drinking Water State

Revolving Fund (SDWSRF) account (Section 116760.30 of the Health and Safety Code) and are available for loans and grants to public water systems to meet safe drinking water standards.

- Section 75025 provides \$60 million to DPH for the purpose of loans and grants for projects to prevent or reduce contamination of groundwater that serves as a source of drinking water.

Proposition 84 provided \$300 million to DPH to address contaminated drinking water, of which \$219 million is available for projects (after bond costs and administration is considered). Of this, \$124 million remains to be committed. According to DPH, there are expectations from stakeholders and the Administration that DPH will need to commit all the remaining funds in order to address contaminated water as quickly as possible. DPH is expecting to have all funds encumber into funding agreements by June 30, 2015.

In order to carry out the program, DPH requests new appropriation authority to align appropriations with planned expenditures. DPH indicates that it will spend the money at a different pace than originally anticipated. In part, this is due to actions in 2008 – the bond freeze and the excess appropriation authority DPH awarded through SBX2 1. The bond freeze prohibited the department from issuing funding agreements for 18 months; then DPH had to ramp up again. Although a BCP was approved to stretch the appropriation over five years, this was not enough time for DPH to expend the funds. As a result, the appropriation authority is out of alignment with planned expenditures.

DPH anticipates the ability to expend more than the \$48 million requested for 2013-14 and is requesting Provisional Budget Bill Language that will allow DPH to increase its Proposition 84 expenditure authority above this \$48 million appropriation upon approval from the DOF.

### ***LAO Findings and Recommendation***

As with the prior BCP on Proposition 50, the LAO recommends that the Legislature reject the Administration's proposed provisional budget bill language that would allow DOF to increase expenditure authority above the requested \$48 million. The LAO finds that the Administration should request the level of funding it believes necessary to fund shovel-ready projects in 2013–14. Historically, this is how funding to implement Proposition 84 has been appropriated.

### **STAFF COMMENTS/QUESTIONS**

The Subcommittee has requested the DPH to respond to the following questions:

1. Please provide an update regarding Proposition 84 bonds.
2. Please provide a brief summary of the budget request.
3. Please discuss what steps the drinking water program has taken to improve its ability to more quickly fund projects.

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**Staff Recommendation:**

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Staff recommends the Subcommittee:

1. **Approve** the \$48 million local assistance appropriation for Proposition 84, Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006.
2. **Approve** Budget Bill Language that allows the amount appropriated to be available for expenditure until June 30, 2016
3. **Reject** the Provisional Budget Bill Language that authorizes DPH to increase its Proposition 84 expenditure authority above this \$48 million appropriation upon approval from DOF.

**ISSUE 9: SAFE COSMETICS PROGRAM**

Proponents of the Safe Cosmetics Program have raised concerns with the Subcommittee regarding the delays in full implementation of the California Safe Cosmetics Act of 2005, specifically with regard to the website for consumers that DPH still has not launched.

**PANELISTS**

- Legislative Analyst's Office
- Department of Public Health
- Department of Finance
- Public Comment

**BACKGROUND**

The California Safe Cosmetics Act of 2005 requires that a manufacturer, packer, and/or distributor named on a label of any cosmetic product sold in California must provide to the California Safe Cosmetics Program (CSCP), within DPH, a list of all of their cosmetic products containing any ingredients linked to cancer, birth defects, or other reproductive harm. CSCP maintains an online reporting system, which has collected information from over 450 different companies to date; over 38,000 products, containing more than 85 distinct chemicals have been submitted to the CSCP database.

The following accomplishments illustrate the successes of the program and the degree to which DPH has implemented the law thus far:

- CSCP sent compliance letters to a large number of manufacturers, distributors, and packers of cosmetic products worldwide, resulting in a 30 percent increase in reporting. The program also conducted product audits and data verification to identify underreporting, however, due to resource constraints, these activities were discontinued.
- For approximately two years, beginning in March 2010, CSCP investigated health complaints from hair stylists and customers who used certain hair straightening solutions and procedures in salons containing the carcinogen formaldehyde, which can cause a number of non-cancer health effects such as respiratory problems, even from limited exposure. The product, "Brazilian Blowout," was labeled as formaldehyde-free though it contained up to 12 percent by volume. CSCP engaged in outreach and educational efforts, and provided technical expertise to the Attorney General as the state's legal case against the company proceeded.
- CSCP has investigated cosmetic product use, formulations, and health impacts. Some examples include: 1) mercury in skin whitening creams; 2) formaldehyde in baby bath products; 3) toxic ingredients in nail products; 4) heavy metals in lip balms; 5) and lead in diaper creams.

- CSCP has made significant progress on the development of a database that, when completed, will allow public access to the reported data through a public website. As the database and website are in development, DPH also has filed many Public Record Act requests for cosmetic ingredient information.

According to advocates, DPH staff is recognized as national experts and leaders in the field of cosmetics safety. However, despite all of these accomplishments, advocates highlight the following activities that should be occurring, particularly if additional resources were made available:

- ***Increased and improved enforcement of the Safe Cosmetics Act.***
- ***Increased and completed investigations and research on cosmetics-related health and safety issues.***
- ***Completion of a public website making the database of information on cosmetics available to the public.*** DPH states that the Program has put together a set of business rules describing the function and architecture of the website, and has produced mock-ups of the webpage. However, the programming to create the website, including query design to support the search function and actual webpage design, has not yet been initiated. DPH currently anticipates that the website will be operational by March 2014, and is making efforts to have it operational this calendar year. Finally, DPH provided Subcommittee staff with the following statement describing their vision for the website:

*" Requiring cosmetics companies to report ingredients to the CSCP is a powerful tool in our work to protect the people of this state from adverse health impacts. However, the utility of this information is limited by access issues. While any member of the public can request the data we have amassed, the information is extensive and not easily reviewed. It has always been the intention of the CSCP to provide data to the public in an accessible forum, in the context of an educational webpage.*

*The website will allow both cosmetics workers and the general public to access information about specific cosmetics products. For example, the user could search for a product type (e.g. nail polish) and get a listing of nail polishes in our system along with the number of reported ingredients. The user could search for a specific ingredient (e.g. formaldehyde) and get a listing of all products, sorted by product type, for which formaldehyde has been reported. The search can be a general as "lipstick" or as specific as "Brand X Color Sensational Red Revival Lipstick." We expect that website users will include individuals hoping to avoid certain chemicals, individuals who want to compare different products within a category (e.g. which red lipstick has the fewest reportable ingredients), cosmetic workers who want to know more about the ingredients to which they are regularly exposed, and advocates hoping to learn more about the potential health impacts in a particular sector of workers.*

*The information will be provided on a webpage which contains extensive support documentation including a glossary of terms, links to useful resources, and guidance on how to read toxicological information."*

**STAFF COMMENTS/QUESTIONS**

Subcommittee staff has asked DPH to explain the status and timeline on the full implementation of the website, and to respond to the following:

1. Please describe staffing needs for the program, as well as a brief history of the program's staff resources.
2. Please explain the reason(s) that the webpage has been delayed so long, and continues to have no firm completion date.
3. What additional resources, or other changes, would DPH need in order to assure the Legislature that the website will be fully operational by the end of 2013?

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**Staff Recommendation:** Direct DPH to work with staff to develop a proposal to ensure that the website will be launched by December 31, 2013.

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**ISSUE 10: PUBLIC SCHOOL HEALTH CENTERS PROGRAM**

Proponents of the *Public School Health Center Support Program* proposes \$10 million General Fund to start the existing program that has yet to receive any funding. Proponents state that the program would support all of the following:

- Technical assistance for all SBHCs to increase outreach and enrollment into Medi-Cal and Covered California.
- Planning grants for 10 new SBHCs in areas where the greatest numbers of uninsured children will remain after 2014.
- Start-up grants for 20 newly constructed SBHCs including those funded by the Affordable Care Act.
- Sustainability grants for 30 SBHCs to expand obesity/diabetes prevention or asthma management to reduce health care costs.
- Implementation of comprehensive programs to address trauma in 35 schools in communities most heavily impacted by violence. (Pending passage of AB 174, (Bonta))

**PANELISTS**

- Legislative Analyst's Office
- Department of Public Health
- Department of Finance
- Public Comment

**BACKGROUND**

Since they were first established in the 1980s, California's school-based health centers (SBHCs) have been growing in number. The state currently has 200 SBHCs, with over 40 in development. More than 250,000 children in grades K-12 have access to a SBHC.



Children served by SBHCs live in many of the state's most distressed neighborhoods where children and families are uninsured, experience barriers to accessing preventive health care, have high rates of emergency room visits, obesity, asthma, and exposure to violence and trauma.

California's SBHCs have come to be an important part of the safety net, providing access to health care to thousands of underserved children and adolescents. They offer a range of primary care services, such as screenings, immunizations, and physicals. Many also play an important role in managing students' chronic illnesses, such as asthma and diabetes. Some SBHCs offer mental health, youth development, and dental services.

In addition to being part of the safety net, SBHCs have the potential to play a valuable role in health care reform, as they are considered consumer-friendly, low-cost, and prevention-oriented. They offer the potential to achieve the kind of transformation in health care delivery that the Affordable Care Act promotes. Some of the strengths of SBHCs include:

- More effective prevention by reaching beyond traditional medical settings and into schools where children spend much of their day.
- Improved cost-effectiveness through use of nurse practitioners/physician assistants further extended with health educators and school nurses.
- Greater access to health care because no planning or transportation are required for children and families to access care once they are already at school.
- Broader insurance enrollment because SBHCs are uniquely positioned to enroll families at school.
- Better care coordination and disease management because providers in SBHCs can interact with patients daily, if needed.
- Diversification of the health care workforce through health career opportunities in SBHCs in communities of color.

Recognizing the value of SBHCs in a reformed health care system, the Affordable Care Act provided \$200 million for construction and equipment for SBHCs. California received \$30 million, which will support over 40 new sites.

The growth of SBHCs in California during the 1990s was largely due to SB 620 (Presley): The Healthy Start Support Services for Children Act. Healthy Start provided competitive grants for schools to collaborate with community-based organizations to bring services, including health care, to campus. Funding for Healthy Start peaked at \$39 million annually and was gradually reduced until it was fully eliminated in 2008, thus removing a key source of seed funding for SBHCs.

During the 1990s three bills were introduced related to standards and funding for SBHCs: AB 1363 (Davis), SB 566 (Escutia), and AB 920 (Cardenas). None was signed into law. In 2006, Governor Schwarzenegger signed AB 2560 (Ridley-Thomas): The School Health Centers Act. It created the *Public School Health Center Support Program* jointly administered by the Department of Health Services and the California Department of Education. The program was designed to collect data on SBHCs and facilitate their development. Specifically, the program includes the following functions:

- Provide technical assistance to school health centers on effective outreach and enrollment strategies to identify children who are eligible for, but not enrolled in, Medi-Cal and Healthy Families.
- Serve as a liaison between programs within DPH and between other state entities, as appropriate.
- Provide technical assistance to facilitate and encourage the establishment, retention, or expansion of SBHCs, including identifying funding sources.
- Establish standardized data collection procedures and collect data from SBHCs on an ongoing basis.

In 2008, Governor Schwarzenegger signed SB 564 (Ridley-Thomas): The School Health Centers Expansion Act, which added a grant program to the *Public School Health Centers Support Program*. This grant program was designed to provide technical assistance and funding for the expansion, renovation and retrofitting of existing SBHCs and the development of new SBHCs. Specifically, the grant program includes:

- Planning grants in the amounts of \$25,000-\$50,000 to conduct assessments and bring schools and health care providers together to develop SBHCs.
- Facilities and start-up grants in the amounts of \$20,000-\$250,000 per year for construction and renovation.
- Sustainability grants in the amounts of \$25,000-\$125,000 per year to enhance the range of services provided at a fully operational SBHC.

Both AB 2560 and SB 564 were to be implemented only to the extent that funds were appropriated to DPH. As of 2013, these funds have not been appropriated, and thus the functions of the *Public School Health Center Support Program* have not been implemented.

This year, Assemblymember Bonta has introduced AB 174 to further expand the functions of the *Public School Health Center Support Program* to address the issue of childhood trauma resulting from exposure to violence. AB 174 creates a grant program, Promoting Resilience: Offering Mental-health Interventions to Support Education (PROMISE) that would enable schools to implement comprehensive approaches to trauma including counseling, education, screening, school wide violence prevention, crisis response and staff training. The program would prioritize communities that experience high levels of violence and have limited access to mental health services.

<b>STAFF COMMENTS/QUESTIONS</b>
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Subcommittee staff has asked DPH to describe this program, the level to which the program has been implemented and is operational, and to respond to this proposal.

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**Staff Recommendation:** Hold open

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