

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR****WEDNESDAY, MAY 2, 2012
1:30 P.M. - STATE CAPITOL ROOM 437**

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ITEMS TO BE HEARD

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE 1: CHILD WELFARE SERVICES: PROGRAM REVIEW AND UPDATE

BACKGROUND AND BUDGET OVERVIEW

The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. The system includes federal, state, and county agencies, juvenile courts, and private providers of care and services. Federal and state laws establish the legal, regulatory, and fiscal frameworks that govern the roles and responsibilities of these entities and individuals. In general, CWS programs are some of the more highly regulated among federally supported human services programs.

The total 2011-12 budget for CWS, excluding Adoptions, is \$5.2 billion (\$2.5 billion federal funds, \$1.6 billion 2011 realignment funds, and \$1.1 billion county funds). Around half of those funds support counties to administer or provide these programs and half support payments to families and other providers of foster care.

ADOPTIONS PROGRAMS

The total 2011-12 budget for adoptions programs includes \$121 million (\$64 million 2011 realignment funding). DSS regulates, provides oversight, and maintains records for: 1) adoptions that occur through public agencies, 2) adoptions that occur through private agencies, 3) independent adoptions that are handled by a private attorney, and 4) adoptions of children from other countries. Before the 2011 realignment, there were seven DSS district offices that also directly provided agency adoption services to 28 counties and independent adoption services to 55 counties. The remaining counties were licensed by DSS to provide those services directly.

CASELOAD TRENDS AND CHARACTERISTICS

In 2011, county child abuse hotlines received calls from mandated reporters of abuse or neglect or other concerned individuals regarding 476,000 children (out of 9.3 million estimated to be living in the state). By the end of the year, 85,000 of those referrals were ultimately determined to be "substantiated". In many cases, the issues were resolved after families participated in services or took other remedying actions. In close to 30,000 cases, however, the agency removed children from their homes and the children became dependents of the court.

As illustrated below, the number of children in out-of-home foster care in California has dropped every year since 1998. On October 1, 1998, there were approximately 117,000 children in foster care in California. By that same time in 2011, the caseload was close to half of that

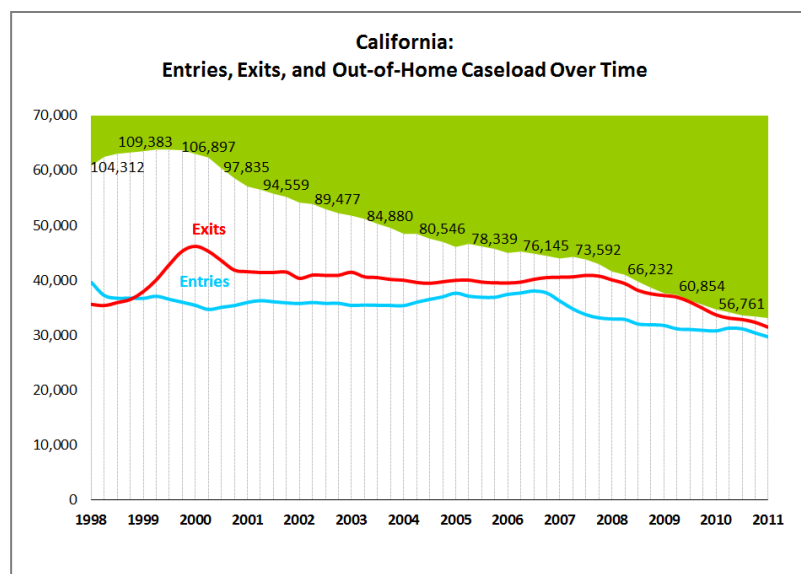


figure. An additional 8,400 children in 1998 and 4,600 children in 2011 were in foster care under the supervision of probation departments as a result of their juvenile delinquency status. The Department attributes much of the caseload decline to upfront efforts to prevent the need for out-of-home care and back-end efforts to find permanence for children in care more quickly, including initiatives related to adoption and the support of relative guardianships through the state's Kinship Guardianship Assistance Payments (Kin-GAP) program.

As of January 2012, 61 percent of children in foster care had been in care for less than two years, while 17 percent had been in care for longer than five years. Nearly half were identified as Hispanic/Latino, while a quarter were identified as White/Caucasian and nearly a quarter as Black. A smaller number were identified as Asian/Pacific Islander (2 percent) and Native American (one percent).

More than half of children exiting foster care are reunified with their parents or other caregivers. Around 18 percent are adopted. Another 14 percent emancipate into adulthood and seven percent enter into a guardian's care. The rates of adoption are higher for children under the age of 6 and rates of guardianship are higher for children aged six to 15 years old.

PERFORMANCE AND ACCOUNTABILITY

The federal Administration for Children and Families (ACF) conducts Child and Family Services Reviews (CFSRs) of states' child welfare systems, which include assessments of compliance with outcome measures related to the safety, permanency, and well-being experienced by children and families who come into contact with CWS, as well as systemic factors. ACF performed its most recent CFSR in California in 2008. The state did not achieve substantial conformity (compliance in 95 percent of cases) with any of the outcome measures, but did achieve substantial conformity with three out of seven systemic factors. According to ACF, challenges included high caseloads and turnover of social workers, an insufficient number of foster homes and lack of caregiver support and training, a lack of statewide implementation of practice innovations, and a lack of needed services (e.g., mental health and substance abuse treatment).

In response, DSS developed a Program Improvement Plan (PIP) to improve outcomes and hopefully avoid federal fiscal penalties. The state's PIP included goals for expanding or strengthening a number of practices, including efforts to support permanency across a child's time in foster care and to improve caregiver recruitment, training, and support, as well as staff and supervisor training. Beginning in 2009-10 [with \$22.2 million (\$12.7 million GF) that year], the budget has included resources to support some of the PIP's goals. The Department indicates that the state has now met its improvement targets, with the exception of those related to placement stability. If the state fails to meet those targets by July 1, 2012, it may incur a penalty of up to \$9 million.

The Child Welfare System Improvement and Accountability Act (AB 636, Chapter 678, Statutes of 2001) also created a statewide accountability system that became effective in 2004. It includes 14 performance indicators related to safety, permanency, and well-being. All 58 counties receive quarterly reports on their outcomes, conduct self-assessments, and develop System Improvement Plans (SIPs). Counties that are not in compliance receive technical assistance from teams of state and peer-county administrators. If DSS determines that a county is "substantially failing" to comply, the department can notify the local welfare director and Board of Supervisors and allow time for corrective action. If that fails to resolve the issues, the DSS director can bring seek injunctive relief or take administrative actions, such as imposing sanctions, withholding funds, or directly assuming temporary responsibility for administering the county's programs. Since the enactment of AB 636, DSS has not sought injunctive relief or imposed any of these administrative sanctions.

RECENT BUDGET ACTIONS

In 2009-10, the Legislature and Governor made ongoing reductions of around \$36.5 million GF (and in some cases additional corresponding federal funds) in the CWS system. The reductions that took effect impacted costs for the automated system that supports CWS, the Transitional Housing Program Plus, AAP payments, and FFA rates. A 10 percent reduction in the rates paid to group homes did not, however, take effect as a result of litigation. When Governor Schwarzenegger signed the budget in 2009, he also used a line-item veto to make an unallocated reduction of \$80.0 million GF (as well as any matching funds lost as a result) to CWS and foster care. The Legislature restored this funding in the 2010-11 budget, but it was again vetoed by the Governor.

The 2010-11 budget also included \$51.7 million GF and the 2011-12 budget included \$17.4 million GF for court-ordered increases to group home monthly payment rates and foster family and related monthly payment rates, respectively. As discussed in greater detail later in this agenda, the 2011-12 budget also realigned \$1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties.

PANEL

- Department, please respond to the following requests and questions:
 - Please describe where California met the standard and where it did not on the latest Child and Family Services Review.
 - Please summarize the Program Improvement Plan (PIP) process and the state's progress to date on meeting its goals. What challenges do we continue to face?

What are the potential penalties if the state's performance does not improve sufficiently?

- What are some factors that led to the declining foster care caseload over the last decade? How are caseload trends expected to look in the near future?
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst's Office (LAO), please provide any comments or additional insight regarding the overview topic of which the Legislature should be aware.
- Public Comment on any issue not otherwise agendaized that relates to this department.

Staff Recommendation:

This item is included for informational and context-setting purposes. No action is required.

ISSUE 2: GROUP HOME RATE-SETTING AND REFORM**BUDGET AND MORATORIUM REVIEW**

Beginning in 2010-11, the budget has included \$195.8 million (\$51.7 million GF) to fund a court-ordered increase of 32 percent in the monthly payment rates for group homes. The court order also requires the state to annually adjust these rates based on the California Necessities Index. In 2012-13, group home rates are proposed to range from \$2,158 to \$9,146 per child, per month.

In response to this increased cost and other concerns about the use of group home placements in California, as well as the need for DSS to redirect staff toward developing alternative placement options, the 2010-11 budget included: 1) a moratorium, with some allowable exceptions, on the licensing of new group homes or approvals of rate or capacity increases for existing providers; and 2) a statutory requirement for DSS to establish a stakeholder workgroup to develop recommended revisions to the existing group home rate-setting system. The 2010-11 budget also included authority for a three-year, limited-term position and \$250,000 (\$125,000 GF) for consulting and contracts to support these activities.

The moratorium was subsequently extended in trailer bill language through the end of 2012. The Governor's budget proposes to make it permanent and to limit future exceptions to higher-level group homes [licensed at a Rate Classification Level (RCL) of 10 or over on a scale of one to 14]. To date, DSS has not convened the required rate-setting workgroup.

GROUP HOME UTILIZATION AND RATE-SETTING

Parallel with the decline in the number of children in foster care, the number of children living in group homes has dropped in recent years (from 10,900 in 1998 to 6,100 in 2012). At the same time, as a proportion of overall foster care placements, group home placements (mainly for children ages 11 to 17) have remained steady at around six to 10 percent.

Since 1991, there have been fourteen RCLs that determine the rates of payment for individual group homes, with level one being the lowest. The RCL system is intended to measure the level and intensity of services, with increased payment based on the number of hours staff spend on child care and supervision, social work, and mental health treatment services, as well as their experience and education levels. In 2011-12, 11 percent of licensed group home beds are classified at an RCL of 9 or lower. Just over half (52 percent) are classified at an RCL of 12.

GOVERNOR'S TRAILER BILL PROPOSAL ON MORATORIUM

DSS indicates that the existing moratorium on rate or capacity increases and the licensure of new group homes is working to contain growth in group home programs that are no longer needed, so it proposes to make it permanent versus extending it for an additional period of time, and is supporting a focus on developing higher-level group home capacity for shorter stays and improved outcomes, as well as family-based alternative placements and services. The Department also proposes to not allow exceptions for group homes at lower RCLs so that foster

youth whose needs can be met by lower level group homes can instead be encouraged to be served in family-based settings. From when the rate-setting moratorium was enacted through the beginning of 2012, counties have requested 28 exceptions. DSS has granted all of these exception requests (just two of which applied to expansion or new licensure of group homes below RCL 10).

CONGREGATE CARE REFORM

The Department indicates that it has not yet convened the statutorily required workgroup related to revisions in group home rate-setting because of other demands on its resources, as well as its interest in focusing first on reforms to congregate care and to the existing continuum of placement options. However, the Administration has not yet indicated its more specific goals or the anticipated timelines and key milestones related to these reform efforts, nor how and when the statutorily required rate-setting workgroup would fit into those larger efforts.

Reforms related to the use of, or measurable outcomes of, group care have been a consistent theme in child welfare in California for over a decade. There has generally been consensus that group care should be used sparingly, on a temporary basis, and when youth have a high need for structure and treatment or rehabilitation. Yet advocates and researchers continue to raise concerns that these principles are not consistently applied and that there may be other unintended consequences of the state's continued use of group home care.

PANEL

- Department, please respond to the following requests and questions:
 - Please describe the administration's trailer bill proposal and respond to concerns that advocates have raised.
 - How do the proposed changes to the moratorium support the state and counties in meeting children and youth's needs?
 - What efforts are being made to encourage the placement of more foster youth, including probation-supervised foster youth, in supported, family-based settings?
 - What does the Department hope to accomplish in its larger reform efforts and by when? When does the Department plan to convene the required group home rate-setting workgroup?
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst's Office (LAO), please provide any comments.
- Public Comment.

Staff Recommendation:

Staff recommends adoption of placeholder trailer bill language to extend the group home moratorium indefinitely, with a modification to the current exception process that would allow group homes below RCL 10 to only apply for an exception associated with a program change, such as a RCL increase. This would in effect disallow these same providers from seeking exceptions for a new program, a new provider, a program capacity increase, or a program reinstatement, as are available and would continue to be available as additional exceptions to RCLs at 10 or above.

ISSUE 3: PROPOSED CHANGES TO DUAL AGENCY RATES**BUDGET PROPOSAL**

The Governor's budget proposes to apply annual cost-of-living adjustments (COLAs) to monthly rates for care and supervision paid on behalf of approximately 3,100 children who are dependents who are living in foster care because of abuse or neglect and who are also eligible to receive services related to a developmental disability (or for infants and toddlers, related to a developmental delay or risk of disability). The proposal would adjust these "dual agency" rates retroactively for a 2011-12 COLA of 1.9 percent at an estimated cost of \$2.0 million. The proposed 2012-13 COLA of 3.2 percent would result in additional estimated costs of \$3.4 million.

DUAL AGENCY RATES AND BACKGROUND

Dual agency rates were developed in 2007 by DSS in collaboration with stakeholders and the Department of Developmental Services. In recognition of the complex needs of children served in both systems, the basic rates paid for their care and supervision are significantly higher than other foster care rates (i.e., \$2,006 per month for dual-agency children ages three and older).

The 2011-12 budget increased by around 30 percent the monthly rates paid to licensed foster families. The increase, along with annual cost-of-living adjustments (COLAs), was required by a court order in California State Foster Parent Association, et al v. John A. Wagner, et al. Correspondingly, changes were made to related rates paid for other permanent family placements, including specified adoptions and guardianships. The Administration did not, however, identify the need to clarify how foster family home rate changes should impact rates paid on behalf of children served by both the foster care and developmental services systems until too late in last year's budget process for any changes to be fully vetted. When the issue was raised, some advocates expressed concern that dual-agency rates should increase by a parallel degree in recognition of prior-year COLAs that had not been granted and in order to maintain the degree of difference between basic and dual-agency foster family rates (in addition to increasing based on 2011-12 and future COLAs).

PANEL

- Department, please describe the administration's proposal in this area and the rationale.
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst's Office (LAO), please provide any comments.
- Public Comment.

Staff Recommendation:

Staff recommends approval of the administration's proposal to apply 2011-12 and 2012-13 COLAs to dual-agency rates.

ISSUES WITHIN 2011 REALIGNMENT OF HEALTH AND HUMAN SERVICES PROGRAMS

ISSUE 1: BACKGROUND AND OVERVIEW

In 2011-12, the State began a process to realign certain Public Safety, Health, and Human Services programs to counties. As originally envisioned, the realignment was to be coupled with a Constitutional amendment that would guarantee ongoing funding for the programs that would have been before voters in June of 2012. Because the June 2011 Special Election did not occur, the process for realigning responsibilities for these programs to counties was started, but it is still being implemented in the 2012-13 budget. The budget dedicated 1.0625 percent of State sales tax and \$462 million of Vehicle License Fee revenue for the realigned costs in 2011-12.

The Governor's temporary tax initiative would provide the Constitutional protection for this revenue dedicated to Realignment and guarantee that it would continue. This initiative would shield local governments from some future costs, as well as provide mandate protection for the state.

The 2011 Realignment included a diverse set of programs, including:

- Custody of Low-Level Offenders
- Juvenile Justice
- Adult Parole
- Court Security
- Mental Health Services
- Substance Abuse Services
- Foster Care and Child Welfare Services
- Adult Protective Services

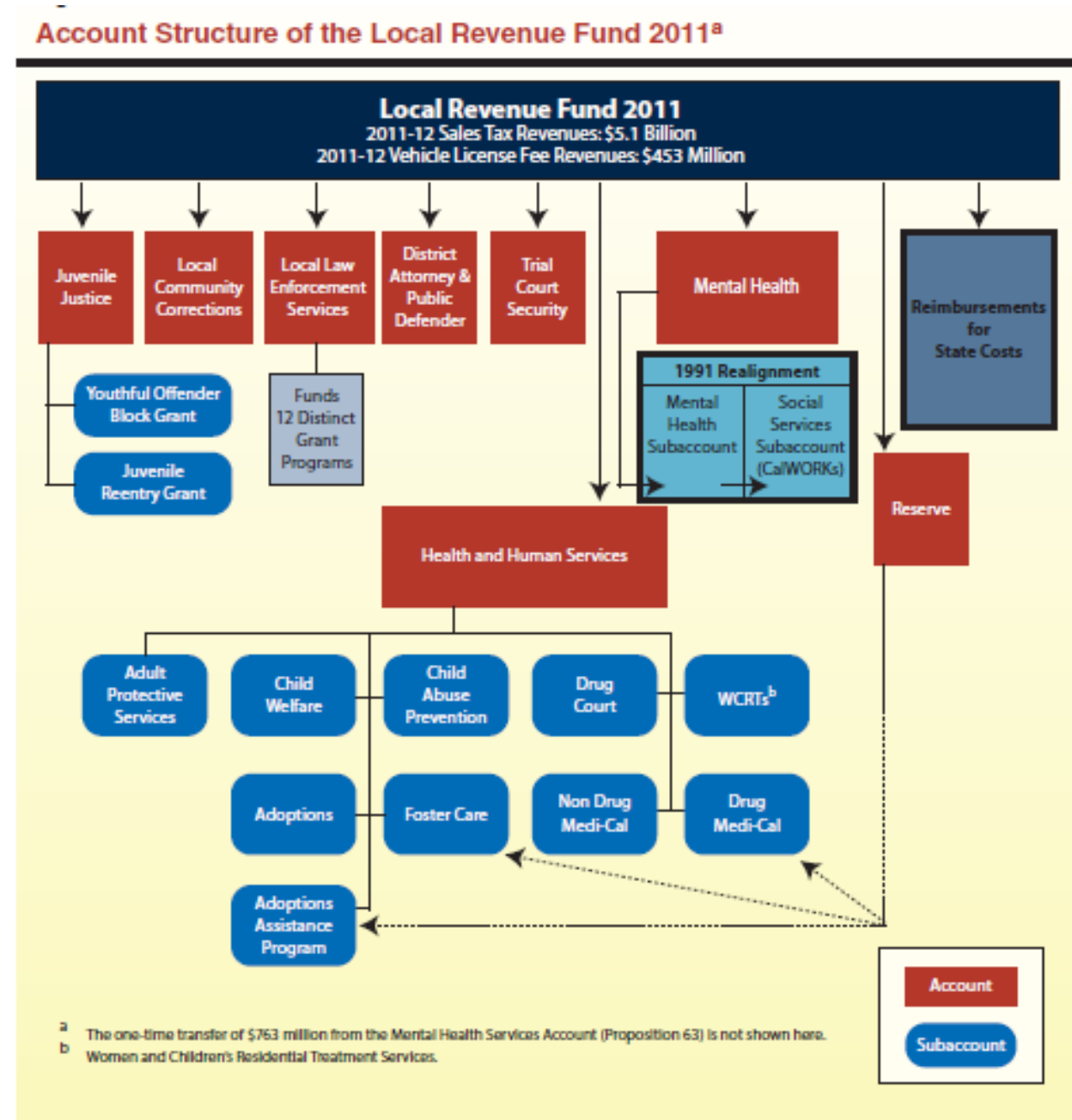
The 2011-12 also included only a one-year temporary funding structure for the realigned programs, which essentially funded them at the same level as the prior year and did not allow counties flexibility to move funds from one program to another.

The 2012-13 Budget includes intent for a permanent funding structure and revenue allocation mechanism for realignment. This mechanism should address three major issues:

- 1) How much flexibility will counties have in moving money between programs?
- 2) How will funding be allocated to counties?
- 3) What happens to natural growth in the dedicated sales tax revenue?

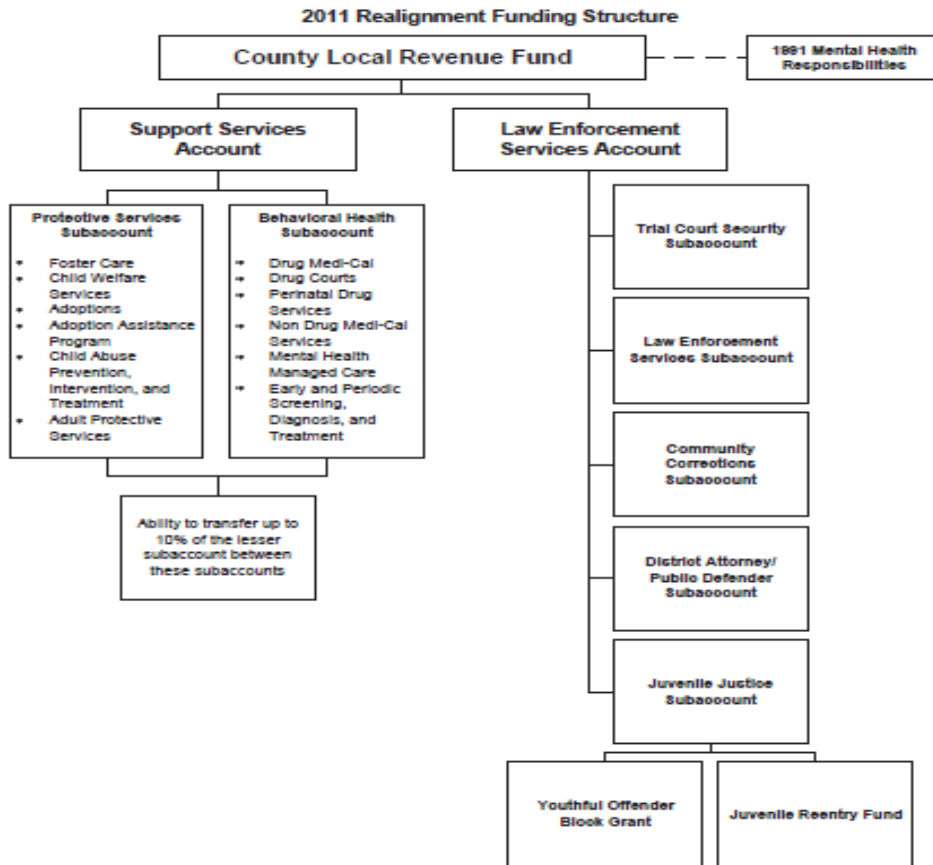
2011 ACCOUNT STRUCTURE

The chart below appeared in the Legislative Analyst’s Office’s August 19, 2011 report titled “2011 Realignment: Addressing Issues to Promote Its Long-Term Success.” The chart documents the structure of accounts as they were adopted in 2011 as part of the budget.



GOVERNOR’S PROPOSED FUNDING STRUCTURE

The administration provided the following charts as part of the Governor’s January Budget. This funding structure differs from that adopted as part of the 2011 Realignment package, as it has merged some subaccounts that were previously discreet and separate (compare against chart on previous page).



The Administration states that the proposed funding structure is intended to provide local entities with a stable funding source for realigned programs. Within each Subaccount, counties will have the flexibility. Counties will also be able to use their funds to draw down the maximum amount of federal funding for these programs.

2011 Realignment Funding

(Dollars in Millions)

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Local Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	957.0	-	-	-
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
Early and Periodic Screening Diagnosis and Treatment	-	544.0	544.0	544.0
Mental Health Managed Care	-	188.8	188.8	188.8
Existing Community Mental Health Programs	1,104.8	1,164.4	1,164.4	1,164.4
Substance Abuse Treatment	179.7	179.7	179.7	179.7
Foster Care and Child Welfare Services	1,562.1	1,562.1	1,562.1	1,562.1
Adult Protective Services	54.6	54.6	54.6	54.6
Existing Juvenile Justice Realignment	95.0	98.8	100.4	101.3
Program Cost Growth	-	180.1	443.6	988.8
Total	\$5,569.1	\$5,816.3	\$6,239.9	\$6,719.9
Vehicle License Fee Funds	462.1	496.3	491.9	491.9
1.0625% Sales Tax	5,107.0	5,320.0	5,748.0	6,228.0
Total Revenues	\$5,569.1	\$5,816.3	\$6,239.9	\$6,719.9

Growth Funding. The Governor proposes to allocate program growth on roughly a proportional basis first among the Accounts and then among the Subaccounts. Within each Subaccount, federally required programs would receive priority funding if warranted by caseload and costs. Further, CWS would be a priority for growth once base programs are established, which over time could result in \$200 million in additional funds.

Movement Between Subaccounts. The Governor also proposes some flexibility for the counties to move money among Subaccounts, including the transfer of up to 10 percent between Subaccounts within the Support Services Account. Transfers would be valid for only one year and would not increase the base of any program.

CONSTITUTIONAL AMENDMENT PROPOSAL
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The Governor's 2012-13 budget proposes constitutional protection for revenues dedicated to the 2011 public safety realignment package and a permanent funding structure for base and growth funding. The structure would establish two accounts in the County Local Revenue Fund: 1) a Support Services Account, and 2) a Law Enforcement Services Account. The Support Services Account would contain two Subaccounts, including one for Protective Services (Child Welfare and Adult Protective Services). The proposed constitutional amendment related to the funding of local governments and schools and temporary taxes is A.G. File No. 12-0009.

In part, the LAO summarizes the proposed amendment as follows:

- **Guarantees Ongoing Revenues to Local Governments for Realigned Programs.** The measure requires the state to continue allocating SUT and VLF revenues to local governments to pay for the programs realigned in 2011. If portions of the SUT or VLF dedicated to realignment are reduced or eliminated, the state is required to provide alternative funding that is at least equal to the amount that would have been generated by the SUT and VLF for so long as the local governments are required to operate the realigned programs.
- **Constrains State's Ability to Impose Additional Requirements After 2012.** Through September 2012, the measure allows the state to change the statutory or regulatory requirements related to the realigned programs. A local government would not be required to fulfill a statutory or regulatory requirement approved after September 2012 related to the realigned programs, however, unless the requirement (1) imposed no net additional costs to the local government or (2) the state provided additional funding sufficient to cover its costs.
- **Limits Local Governments From Seeking Additional Reimbursements.** This measure specifies that the legislation creating 2011 realignment (as adopted through September 2012) would not be considered a state-reimbursable mandate. Therefore, local governments would not be eligible to seek reimbursement from the state for any costs related to implementing the legislation. Similarly, the measure specifies that any state regulation, executive order, or administrative directive necessary to implement realignment would not be a state-reimbursable mandate.
- **State and Local Governments Could Share Some Unanticipated Costs.** The measure specifies that certain unanticipated costs related to realignment would be shared between the state and local governments. Specifically, the state would be required to fund at least half of any new local costs resulting from certain changes in federal statutes or regulations. The state also would be required to pay at least half of any new local costs resulting from federal court decisions or settlements related to realigned programs if (1) the state is a party in the proceeding, and (2) the state determines that the decision or settlement is not related to the failure of local agencies to perform their duties or obligations.

PROPOSALS FOR LEGISLATIVE REVIEW AND CONSIDERATION

The 2011 realignment package left a significant series of implementation matters unresolved, including critical issues such as the design of the funding system and allocation of revenues among counties. Over the months since enactment of the realignment package, the administration, counties, and some stakeholders have met to work on the implementing legislation.

A. Programmatic Realignment. In response to a request made by this Subcommittee and in anticipation of this hearing, the administration released proposed trailer bill language on programmatic elements related to realignment for:

- Child Welfare Services within DSS (see the matrix in Attachment A);
- Substance Abuse services within ADP and DHCS (see the matrix in Attachment B); and
- Mental Health Programs within DHCS (see the matrix in Attachment C).

The language was made public on Friday, April 27, 2012 and matrices detailing what this language accomplishes by section are included as attachments to this agenda as noted. Subcommittee staff have also included summaries where possible, some of which have been provided by the administration.

B. Fiscal Superstructure. The administration states that it will release forthcoming language related to the fiscal architecture for realignment starting in 2012-13. The Department of Finance has released the following list of elements that this language will address. According to DOF, the superstructure language will:

1. Establish the Support Services and Law Enforcement Services Accounts (state and local).
2. Establish the Subaccounts.
3. Include EPSDT and Mental Health Managed Care within the Behavioral Health Subaccount.
4. Allocate VLF to the Law Enforcement Services Subaccount.
5. Establish the base year for each program.
6. Establish that going forward, the base is a “rolling” base – base plus growth equals the new base.
7. Establish the allocation of funds by program to each county.
8. Eliminate the state level Unallocated and Reserve Accounts by a date certain in 2012-13.
9. Establish that the 1991 Realignment mental health program will continue to receive under the 1991 formula.
10. Split growth proportionally between the two Accounts.
11. Split growth among the Subaccounts.

12. Establish growth accounts by funding source (sales and use tax and VLF).
13. Establish that 1991 community mental health receives a set percentage of the Support Services growth.
14. Establish that CWS receives 40% out of the growth to the Support Services Account until \$200 million is reached.
15. Allocate the remaining growth in Support Services to the Protective Services and Behavioral Health Subaccounts.
16. Establish how growth will be allocated to each county – some may be a formula; some may be a schedule given to the State Controller's Office (SCO) depending on the factors used and interest in changing the factors over time.
17. Allow a 10% transfer of the lesser subaccount to the other subaccount within Support Services. Transfers would be for one year only and would not add to the base and Boards would have to take the action in a public meeting (similar to 1991).
18. Authorize counties to create a reserve (probably only in the Support Services Account) and put an upper limit on what the reserve could be.
19. Reiterate that the state used to have a share of cost in these programs and now that share is paid with Realignment 2011 funds.
20. Reiterate that counties are required to meet federal requirements in federal programs.
21. Establish a mechanism for sequestration of funds in case a county cannot meet its federal obligations and the state is required to step in to operate the program to meet federal requirements.
22. Establish the authority for counties to contract with the state to run programs such as Adoptions or Drug Medi-Cal if the county does not wish to administer the program.
23. End county right of first refusal with Mental Health Managed Care upon passage of the Constitutional Amendment.
24. Require that if a county has received resources for a "discretionary" program (e.g, Drug Courts) and wants to substantially reduce or eliminate the program, the County Board of Supervisors would have to do that by a separate vote of the Board.
25. Establish county protections that are in the Constitutional Amendment.
26. Add state mandate protections.

PANEL

- Department of Finance. DOF has been asked to present on the following:
 - Please provide an overview of the history of realignment, discussing how the 2011 realignment changed the 1991 historical realignment.
 - Describe the basic content of the Constitutional Amendment that is proposed for the November ballot.
 - Discuss the process that has occurred since the passage of 2011 Realignment to achieve the program-specific language and the main issues and challenges the administration sees as this proposal comes before the Legislature for review and deliberation.

- Discuss the merging of accounts and how this changes local discretionary options under Realignment. How are entitlement programs affected and how might non-entitlement programs be affected?
- And finally, review the elements of the forthcoming fiscal superstructure and raise critical issues for the Legislature's attention.
- Legislative Analyst's Office (LAO), please provide comments or additional insight on the Realignment topic. What questions remain for the LAO as it reviews the programmatic language and list of elements to be brought forth in the fiscal superstructure?

[Please note that Public Comment will be taken under each of the ensuing three items. If members of the public would like to speak to realignment issues more generally, they may speak under any of the three items of their choosing.]

Staff Recommendation:

As these issues are under review by the Subcommittee through May Revision and feedback from stakeholders has not yet been fully heard and vetted, staff recommends holding open all of the items under Realignment at this time.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 1: REALIGNMENT OF CHILD WELFARE SERVICES****BACKGROUND**

The 2011 public safety realignment package included realignment of approximately \$1.6 billion in funding and responsibility for California's Child Welfare Services (CWS) and adoptions programs to the counties. The General Fund (GF) resources that became realignment funding reflected state costs for the following programs (many of which have other matching funding as well):

Program	Description	Realignment Funds (Formerly GF) In 2011-12 Budget
Child Welfare Services	Services to ensure the safety of children, including emergency response to allegations of abuse or neglect	\$670 million
Foster Care	Administration of and monthly assistance payments for out-of-home care and supervision	\$433 million
Adoption Assistance Program (AAP)	Monthly assistance payments to families who have adopted children who meet specified criteria for special needs	\$387 million
Adoptions Programs	Adoption-related services, oversight, and record-keeping. These costs do not include \$6 million associated with Agency Adoptions.	\$64 million
Child Abuse Prevention	Efforts to prevent abuse and neglect and increase public awareness	\$13 million

Funding for a limited number of CWS-related programs or activities, including the automation system that supports CWS, Tribal-State IV-E agreements, and the licensing of children's residential placements, was not included in the realignment. Additionally, for the first year of implementation in 2011-12, no changes were made to state law governing CWS and adoptions programs.

Before the 2011 realignment, non-federal costs for these programs were shared by the state and counties in various ratios--with the highest county share of 60 percent for foster care and

lowest of 25 percent in AAP. Under the 2011 realignment, all non-federal costs are instead funded by specified revenues (a percent of the existing state sales tax and vehicle license fee revenues) that are directed to the counties. One result of this redirection is that the state no longer counts those revenues toward calculation of the minimum level of funding for education that is guaranteed under law enacted by a 1988 ballot initiative (Proposition 98).

While the revenue stream for the 2011 public safety realignment is ongoing, the program-specific allocations of the revenue were specified for only 2011-12. For CWS and adoptions programs, the resulting county-specific allocations for that year were developed by the Administration in consultation with counties and intended to be consistent with how they would have been distributed before this new realignment. Under this model, for CWS, the base funding counties receive is tied to social worker caseload standards originally established in 1984. For Adoptions, the base funding is tied to 1996-97 performance agreements. Additional funding is tied to specific programs and estimates of the costs to implement statutory requirements.

In addition to the need to establish a financial architecture and program, as well as county-specific allocations, for public safety realignment in 2012-13 and future years, additional questions about whether there are CWS-related financial and programmatic flexibilities, fiscal incentives, accountability mechanisms, and/or changes in the role of the state that should result from the realignment need to be addressed.

SUFFICIENCY OF BASE FUNDING

In 2011 and again this year, counties and stakeholders have expressed concern that the \$1.6 billion base realignment funding for CWS and adoptions programs underfunds those programs. Some of this concern stems from the above-mentioned 2009-10 veto of \$80.0 million GF. Additional concerns relate to the extension of foster care services to non-minor dependents ages 18 to 21 (phased in over three years beginning January 1, 2012), which the Administration unintentionally failed to account for in its original calculations, as well as the need to fund lower social worker caseloads and cost increases related to litigation. On the other hand, the Administration indicates that the base continues to include around \$70 million that the counties are no longer required to spend on the provision of residential care to students with special needs, as well as some funding that would have otherwise been a one-time carryover.

STATE AND COUNTY ROLES

Before the 2011 realignment, California already carried out the day-to-day responsibilities of its front-line CWS programs at the county level, with some variation between county programs. At the same time, DSS was responsible for oversight, statewide policy, regulation development and coordination, technical assistance, and federal compliance related to those programs. Even after this realignment, the state must maintain many of these same responsibilities to meet federal requirements. Prior to realignment, the state was also at risk for the full costs of any federally imposed penalties for failure to meet the requirements established pursuant to the Child and Family Service Reviews described earlier in this agenda. The Administration's proposals for 2012-13 do not currently include provisions to alter this financial responsibility. In 2011, the Administration also established a goal of a 25 percent reduction in state operations costs across programs included in the 2011 realignment. The Administration has not yet proposed any related reductions in DSS staffing or operations costs. The Department indicates,

however, that reductions in the adoptions program are likely to be the most notable result of realignment.

Transitions In Adoptions Programs. Before the 2011 realignment, there were seven DSS district offices that provided agency adoption services to 28 counties and independent adoption services to 55 counties. The remaining counties were licensed by DSS to provide those services directly. Thus far, 11 counties have expressed their intent to transition, at some point in 2012-13, to the use of realignment funding to directly provide adoption services that were previously provided by DSS.

DESCRIPTION OF CWS PROPOSED PROGRAMMATIC TRAILER BILL
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The following information has been provided by DSS regarding its proposed programmatic realignment trailer bill (a matrix of this language is included as an attachment to this agenda).

“In general, DSS' objective and approach for the Realignment of Child Welfare Services has been to focus on the single state agency responsibilities for meeting federal requirements while maximizing county flexibilities. Specifically, the State utilized the following guiding principles for the drafting of the proposed trailer bill language:

- A) Maximize federal funding opportunities and avoid jeopardy to existing federal funding.
- B) Maximize and value local flexibility while minimizing state program responsibility and state legal exposure for realigned programs.
- C) Encourage and ensure state and local accountability with applicable federal and state law, as well as current child welfare outcomes standards.
- D) Encourage and support statewide replication of best practices and continuous improvements to achieve optimal outcomes for children and families.
- E) Adhere to single state agency requirements and interpretations of those requirements by federal oversight entities.
- F) Ensure constitutional equal protection and due process requirements are satisfied.

The statutes governing the administration of child welfare services in California are deeply rooted in federal regulatory and policy requirements. As such, the Department reviewed all state and federal programs in an effort to determine where amendments could be made to the existing statutory framework. As a result of this work, the Department is proposing to amend language in six broad areas. They are as follows:

Adoptions: The Department amends the language in the Welfare and Institutions and Family Code Sections to conform to Assembly Bill 1 X16 which eliminated the licensing requirements for county child welfare agencies to provide adoption services.

Fiscal: The Department is seeking to amended numerous statutory references to prospectively eliminate state and county sharing ratios to conform to the 2011 realignment funding. Where

applicable the Department has also deleted references to obsolete committees or fiscal systems.

State Only Programs: Where possible the Department is seeking to amend the statute to maintain the legislative intent for these programs while making them optional for counties to provide. The Department has eliminated the requirements for counties to prepare and submit plans to the state unless the information is required for federal reporting instead, will be focusing state technical assistance to ensure programmatic and eligibility criteria are met. The suggested amendments further provides for those counties who had previously received a specific allocation for a program who wish to reprioritize the use of the funds for another purpose to report in their System Improvement Plan the rationale for the decision.

Enforcement & Accountability: The Department is suggesting amendments to two sections of the Welfare and institutions Code specific to their oversight responsibilities. Specifically the Department is seeking to codify the county activities and performance outcomes required under the existing California Child and Family Services Review and strengthen county accountability to improved outcomes and federal funding. The amended language further seeks to hold counties accountable for federal and state laws and federal penalties.

Rulemaking: The Department is seeking to add authority to implement rules by letter for realignment related changes and new federal mandates after consultation with counties. For realignment related changes, emergency regulations must be issued within 24 months. For federal mandates, there must be FFP linkage and state legislative action within 24 months.

Congregate Care Reform: The Department is seeking to amend or repeal various section of the Welfare and institutions Code related to the reform of congregate care of foster children. The amendments would include the 1) establishment of a workgroup specifically tasked with reviewing the current rate setting system and services across the continuum of out of home care, 2) extension of Residentially Based Services agreements and 3) language regarding the determinations of placements decisions for children in foster care. Repealed language is specific to 1995 rate setting work and recommendations.

Stakeholder and Advocate Response to the Proposed Trailer Bill. Since the realignment of the child welfare services program progressed the stakeholder and advocate community have voiced their concerns and issues to the Department through meetings, conference calls or in formal written communications. The Department has attempted to categorize the concerns as follows:

- County discretion for non-mandated programs
- Maximizing federal funding under the funding structure of child welfare
- Increased flexibility should come with increased oversight
- Concern for fiscal transparency
- Creation of firewalls and protection of child welfare subaccounts

With the recent release of the proposed Child Welfare Services Trailer Bill the Department will now have the opportunity to engage in meaningful conversations with these groups.”

PANEL

- DSS and Department of Finance: Please be prepared to provide a high-level walk-through of the programmatic realignment trailer bill language that was recently released, utilizing the matrix (Attachment A for this section) provided by the administration where helpful. Please call out substantive, critical issues of change for the Legislature's consideration.

Please address the following questions where possible:

- Given the specificity of many federal requirements, how much financial and programmatic flexibility do the state and counties have in delivering child welfare services?
- What fiscal reporting or accountability mechanisms are appropriate to consider in light of realignment? Is the full expenditure of CWS funding assured for each county?
- How would the state and counties respond to a drop in the revenues dedicated to CWS under realignment? What might the impacts of such a loss in funding for these programs be?
- How are the state and counties working to minimize any risks of disruptions to adoptions programs during impending transitions from state to county service provision?
- How will the base and growth in future years be calculated to ensure that counties can always meet the obligations of entitlement programs?
- Legislative Analyst's Office (LAO), please provide comments or additional insight on this programmatic realignment language as presented or forthcoming issues involving the fiscal superstructure.
- Public Comment.

ISSUE 2: ADDITIONAL AREAS OF REALIGNMENT IN DSS**ADULT PROTECTIVE SERVICES**

County Adult Protective Services (APS) agencies investigate reports of abuse and neglect of elders and dependent adults who live in private settings. Upon investigating these reports, APS social workers may arrange for services such as counseling, money management, and out-of-home placement for the abused or neglected adult. Although there is no federal requirement to operate an APS program, state law currently requires that APS be available in all 58 counties.

The 2011–12 realignment legislation establishes the APS Subaccount within the Health and Human Services Account for the support of the APS program. The APS Subaccount will be allocated 1.38 percent of the funds available in the Local Revenue Fund 2011, which is estimated to be \$55 million in 2011–12. The funds from the APS Subaccount will be allocated to the local APS programs, to the extent possible, in the same way they were in 2010–11.

CALWORKS / MENTAL HEALTH SHIFT

The CalWORKs program provides cash grants and welfare-to-work services (such as child care, training, or job readiness) to families whose incomes are insufficient to meet their basic needs. The program is administered by the counties, but the state and federal governments provide the vast majority of funding. Although each county must provide grants and services consistent with state law, counties have significant control over how services are provided and when to sanction clients for noncompliance. With respect to funding, counties have a fixed maintenance-of-effort level for administration and welfare-to-work services, and a 2.5 percent share of grant costs. The 2011 realignment legislation provides counties with revenue from the Local Revenue Fund 2011 for mental health programs, which then frees up existing county mental health funding to pay for a higher share of CalWORKs grant costs.

In 1991, the Legislature adopted realignment legislation that, among other changes, established several local funding streams for various mental health and other programs. This included creation of a mental health subaccount and a social services subaccount. The 1991 social services subaccount is available to fund several programs including CalWORKs. The 2011 realignment legislation provides \$1,084 million in funding for a new Mental Health Account in the Local Revenue Fund 2011. From this account, the 2011 legislation allocates to each county new mental health funding equal to what it would have received in its mental health subaccount under the 1991 realignment formula. Because the new funding is now available to pay 1991 realignment-related mental health obligations, there is no detrimental effect on support for county mental health programs.

The freed-up 1991 funds as a result of these provisions are then used by counties to pay for increased county shares of CalWORKs grant costs. On average, this new county share for CalWORKs grants will be about 34 percent, but the exact amount will vary by county and be directly tied to what the county would have received under the 1991 formula for distribution of funding for mental health services. The amounts provided to counties will be recalculated each year to equal whatever they otherwise would have been under the 1991 formula.

PANEL

- DSS and Department of Finance:
 - Please provide a high-level overview on how APS and CalWORKs will work under realignment in 2012-13 and how either or both the programmatic language or fiscal superstructure language will affect these areas, if at all.
- Legislative Analyst's Office (LAO), please provide comments or additional insight on this programmatic realignment language as presented or forthcoming issues involving the fiscal superstructure.
- Public Comment.

4200 DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS**4260 DEPARTMENT OF HEALTH CARE SERVICES****ISSUE 1: REALIGNMENT OF SUBSTANCE ABUSE SERVICES****BACKGROUND**

The 2011 budget plan realigns several substance abuse treatment programs that were previously funded through the General Fund. The following are the major substance abuse treatment programs that were realigned:

- **Regular and Perinatal Drug Medi-Cal.** The Drug Medi-Cal (DMC) program provides drug and alcohol-related treatment services to Medi-Cal beneficiaries. These services include outpatient drug free services, narcotic replacement therapy, day care rehabilitative services, and residential services for pregnant and parenting women.
- **Regular and Perinatal Non Drug Medi-Cal.** The Non Drug Medi-Cal program provides drug and alcohol-related treatment services generally to individuals, including women and children's residential treatment services, who do not qualify for Medi-Cal.
- **Drug Courts.** Drug courts link supervision and treatment of drug users with ongoing judicial monitoring and oversight. There are several different types of drug courts including: (1) dependency drug courts, which focus on cases involving parental rights; (2) adult drug courts, which focus on convicted felons or misdemeanants; and (3) juvenile drug courts, which focus on delinquency matters that involve substance-using juveniles.

As part of the 2011-12 budget plan, funding for specific alcohol and other drug programs was shifted from the state to local governments through AB 118 and AB X1 16 (Committee on Budget), Chapter 13, Statutes of 2011. A total of about \$184 million of DADP programs (Regular and Perinatal Drug Medi-Cal, Regular and Perinatal Non Drug-Medi-Cal, and Drug Courts) were shifted to the counties. Under the 2011 Realignment, funding for these programs is deposited into four separate subaccounts within the newly created Health and Human Services Account of the Local Revenue Fund 2011. Under Realignment 2011, state sales tax will comprise the dedicated revenue to support these programs, instead of the state General Fund.

DESCRIPTION OF ADP PROPOSED PROGRAMMATIC TRAILER BILL

The following information has been provided by ADP regarding its proposed programmatic realignment trailer bill (a matrix of this language is included as an attachment to this agenda):

- "With the enactment of Realignment 2011 and the change in funding sources for alcohol and other drug treatment programs, it is necessary to amend existing state statute. To the extent possible, these revisions provide local governments with program flexibility by streamlining necessary state and county responsibilities that accompany the acceptance of state and federal funds.

- The proposed revisions accomplish several critical tasks for California, the most critical being the maintenance and clarification of necessary responsibilities to assure federal funding continues at the local level for essential alcohol and drug program services, including prevention programs. The language also includes a clean-up of statute to remove inoperable sections of law.
- A significant portion of current statute is recommended to be repealed, reflecting a clean-up of previous initiatives and demonstration programs that are no longer funded or operable.
- The trailer bill will reflect county obligations and responsibilities consistent with federal requirements to assure ongoing federal funding, and removal of non-federally required county reporting requirements.
- The trailer bill retains the role of the state to assure accountability, to support technical assistance activities that will continue to concentrate on best practices and evidence based interventions, and to support programming at the local level.”

PANEL

- ADP and Department of Finance: Please be prepared to provide a high-level walk-through of the programmatic realignment trailer bill language that was recently released, utilizing the matrix (Attachment B for this section) provided by the administration where helpful. Please call out substantive, critical issues of change for the Legislature’s consideration.

Please address the following questions where possible:

- What issues have advocates and stakeholders raised and how are these being resolved?
- How will the base and growth in future years be calculated to ensure that counties can always meet the obligations of entitlement programs?
- How will or could DMC change under realignment?
- What are the potential outcomes for the Women and Children’s Residential Treatment Services Program under realignment?
- Department of Finance (DOF), please provide any additional comments.
- Legislative Analyst’s Office (LAO), please provide any comments or additional insight regarding the realignment of these services.
- Public Comment.

4260 DEPARTMENT OF HEALTH CARE SERVICES**ISSUE 1: REALIGNMENT OF MENTAL HEALTH SERVICES**

The Administration is proposing trailer bill language to fully implement public safety, health and human services realignment that was adopted in the 2011 budget package. This package included the realignment of Specialty Mental Health Services and Early and Periodic Screening, Diagnosis, and Treatment (EPSDT).

BACKGROUND***Mental Health Services in the Medi-Cal Program***

Within Medi-Cal, California provides an array of mental health services that range from mandatory services, such as psychiatrist services, to optional categories, such as rehabilitative services. California provides basic mental health services via its Medi-Cal fee-for-service system or Medi-Cal managed care, and it provides specialty mental health services through county managed mental health plans (MHPs) under the Specialty Mental Health Services (SMHS) Consolidated Waiver. The SMHS waiver permits Medi-Cal to waive the freedom of choice requirement and requires beneficiaries to access services through the county MHP.

Specialty Mental Health Services (SMHS) Consolidated Waiver

California has delegated administration of the SMHS waiver to the DMH through an interagency agreement. The DMH, in turn, contracts with county MHPs to deliver mental health services to eligible Medi-Cal beneficiaries and provides oversight of those contracts.

The SMHS waiver program has been in effect since 1995, and the current waiver renewal term (2011-2013) represents the seventh waiver renewal period. The DMH will operate this waiver through the interagency agreement with DHCS until the functions and sole responsibility transfer to DHCS, effective July 1, 2012 per AB 102.

The SMHS waiver population consists of all full scope Medi-Cal beneficiaries, all of whom can access services through the SMHS waiver if they meet specified medical necessity criteria. This includes adults who have a serious mental disorder (Welfare and Institutions (W&I) Code, Section 5600.3(b)) and children with a serious emotional disturbance (W&I Code, Section 5600.3 (a)).

Medi-Cal beneficiaries are eligible to receive specialty mental health services if they meet all three medical necessity criteria (diagnosis, impairment, and intervention), as described in Title 9, California Code of Regulations (CCR), Section 1830.205.

- Diagnosis -Must have one or more of 18 specified Diagnostic and Statistical Manual of Mental Disorders (DSM) IV or comparable International Classification of Diseases (ICD) 9 diagnoses.
- Impairment – The above diagnoses must result in one of the following conditions:
 - Significant impairment of an important area of life functioning;
 - Probability of significant deterioration in an important area of life functioning; or
 - For children under 21, a probability that the child will not progress developmentally as individually appropriate. Children qualify if they have a mental disorder which can

be corrected or ameliorated or when specialty mental health services are necessary to correct or ameliorate a defect, mental illness or condition of a child.

- Intervention Related Criteria - Medi-Cal beneficiaries are only eligible to receive services if:
 - The service is to address the impairment condition;
 - The service is expected to significantly improve the condition; and
 - The condition would not be responsive to physical health care based treatment.

The services provided under the SMHS waiver to eligible beneficiaries include:

- (a) Rehabilitative mental health services
 1. Mental health services
 2. Medication support services
 3. Day treatment intensive
 4. Day rehabilitation
 5. Crisis intervention
 6. Crisis stabilization
 7. Adult residential treatment services
 8. Crisis residential treatment services
 9. Psychiatric health facility services
- (b) Psychiatric inpatient hospital services
- (c) Targeted case management services
- (d) EPSDT services, for beneficiaries under 21 years of age

The SMHS waiver covers only specialty mental health services; therefore, county mental health plans are not responsible for the “Early and Periodic Screening” component of EPSDT.

“Regular” Mental Health Services (non-SMHS)

The SMHS waiver program does not provide services to beneficiaries who do not meet the medical necessity criteria for specialty mental health services (i.e. do not have any of the mental health diagnoses listed in the waiver). In these cases, the Medi-Cal fee-for-service or Medi-Cal managed care plans provide the services. In fee-for-service, these services are subject to a two visit per month limit and available for:

- Diagnoses that the SMHS waiver does not cover;
- Impairments resulting from mental health diagnoses that are not considered significant; and/or
- Impairments that general physical health care practitioners can treat and do not require the services of a licensed mental health care practitioner.

Under EPSDT, children can receive services beyond the two visit limit if medically necessary. Unlike adults, children eligible for EPSDT services who have waiver-excluded diagnoses can also receive services from Licensed Clinical Social Workers, Marriage and Family Therapists, and Registered Nurses.

EPSDT

One of the mandatory benefits in the Medi-Cal State Plan is EPSDT services, which must be available to full-scope Medi-Cal beneficiaries under 21 years of age. Under EPSDT, federal law

requires a Medicaid-participating state to provide any medically necessary health care service listed in Section 1905(r)(5) of the Social Security Act, even if the state did not elect to include the service in its State Plan. California's State Plan describes EPSDT services, which include rehabilitative mental health services for seriously emotionally disturbed children: collateral, assessment, individual therapy, group therapy, medication service, crisis intervention, day care - intensive, and day care - habilitation offered in local and mental health clinics or in the community.

Medi-Cal Managed Care

Medi-Cal managed care plans must provide or arrange for all medically necessary Medi-Cal covered mental health services unless the contract specifically excludes them. This includes outpatient mental health services that are within the scope of practice of primary care physicians and psychotherapeutic drugs prescribed by primary care providers (except those specifically excluded in the contract). Medically necessary covered services include emergency department charges and professional services (excluding those provided by specialty mental health providers); emergency and non-emergency medical transportation services; and laboratory and radiology services when necessary for the diagnosis, monitoring, or treatment of a member's mental health condition.

As part of their responsibility for coordination of care, Medi-Cal managed care plans must have written policies and procedures to ensure that they assist members who need mental health services that the plan does not cover. If the member has a tentative psychiatric diagnosis that meets eligibility criteria for specialty mental health services, the managed care plan must make appropriate referrals to the county MHP. If the member has a psychiatric diagnosis that the county MHP does not cover, the managed care plan must refer them to an appropriate fee-for-service Medi-Cal mental health provider and must consult with the county MHP as necessary to identify other appropriate community resources and help the member to locate available mental health services. Medi-Cal managed care plans must also cover and ensure the provision of screening, preventive and medically necessary diagnostic and treatment services for members less than 21 years of age including EPSDT supplemental services.

2011 Realignment

Counties have been managing and administering SMHS for approximately seventeen years. However, full fiscal realignment of these services occurred as part of the 2011 realignment. As compared to the other programs realigned in the 2011 Budget package, the realignment of SMHS is not to be implemented until July 1, 2012. Therefore, for the 2011-12 Fiscal Year, the budget replaced General Fund for these programs with Mental Health Services Act (Proposition 63) funding on a one-time basis, in the amounts of \$184 million for Mental Health Managed Care and approximately \$580 million for EPSDT. Although the final budget package did not specify ongoing realignment allocations, the administration's plan is for realignment revenues to substitute Proposition 63 funds on an ongoing basis beginning in 2012-13.

Programs Moved to DHCS

The 2011 budget package also authorized moving state oversight of SMHS from the DMH to the DHCS. The DHCS is the single state Medi-Cal agency and therefore maintains the ultimate oversight responsibility regardless of these programs having been operated out of the DMH for many years. Moreover, the Administration proposed this shift to reflect trends in health care that support the full integration of physical and mental health services, which this shift will encourage by way of having just one department oversee the provision of both physical and mental health services. The interagency agreement between the DHCS and the DMH, for implementation of these services, will cease once this transition is complete on July 1, 2012.

Mental Health Realignment Trailer Bill

The Administration just released portions of this year's realignment trailer bill package, including for mental health. The Administration describes this language as "clean-up" language, and states that the more significant implementation issues, primarily related to funding, will be contained in additional proposed trailer bill specific to the realignment "superstructure," that they have yet to provide to the Legislature. Based on a very preliminary review of the language provided to legislative staff last week (April 27, 2012), this bill contains the following types of provisions:

- Deletes sections of statute that are obsolete or otherwise not consistent with these programs having been realigned from the state to the counties;
- Updates language such as by replacing references to "the mentally ill" with "persons with mental illnesses," and replaces "county mental health program" with "mental health plan;"
- Includes many clarifications of statutory provisions (e.g., two or more counties may act jointly for the delivery of services); and
- Imposes requirements on counties, such as requiring a county to inform the DHCS in writing if it opts to not contract with the DHCS, fails to renew its contract, or is unable to meet DHCS standards.

Committee staff has asked the Legislative Analyst's Office to conduct a thorough review of all proposed realignment trailer bill language and also requested a thematic analysis from the administration of the various pieces of trailer bill. Please also see the attached matrix, provided by the Administration, which contains a detailed listing of the various provisions and their effects.

Stakeholder Concerns

Realignment funding for SMHS will be determined based on 2012-13 as a base year, and stakeholders' primary concern is whether the amount budgeted for these programs will be a sufficient base from which all future year funding will be determined. Stakeholders have questioned whether the Administration's estimates for these programs reflect the full increased costs of the Governor's proposal to shift all children in the Healthy Families Program to Medi-Cal, as well as the "Katie A." lawsuit.

Perhaps the second most significant concern of advocates and stakeholders is how the growth in realignment revenue will be allocated, particularly with regard to entitlement programs such as EPSDT and Mental Health Managed Care.

The California Mental Health Directors Association has made the following recommendations regarding realignment of mental health programs:

- New language should be added to specify the manner in which county distributions of 2011 realignment funds will be made;
- Pending the outcome of the Governor's initiative, which provides counties with state constitutional protections for realigned programs, maintaining the existing statute that gives

a county first right of refusal to contract with the state poses a risk to counties as they could face an unfunded mandate if realignment funds for these programs are insufficient;

- Counties of all sizes should be permitted to use realignment dedicated sales tax revenues in pooled funding accounts to address regional and statewide needs; and
- Counties should be consulted prior to the addition of any new administrative requirements on the delivery of SMHS.

A coalition of children's advocacy organizations, including the Alliance for Children's Rights, California Alliance of Child and Family Services, Foster Youth Alliance and the John Burton Foundation, makes the following recommendations:

- Delay realignment of EPSDT for one year;
- Within EPSDT, retain the categorical restrictions on the use of the funding and use General Fund to backfill if county costs exceed their realignment allocation;
- Convene a statewide children's mental health working group to develop a plan to improve service delivery, ensure equal access across counties, develop outcome measures, determine if EPSDT should remain realigned, and if so, ensure adequate resources for the program; and
- Increase the base level of funding, and do not allow funding for children's programs, including EPSDT and Child Welfare Services, to be pitted against each other.

PANEL

- DHCS and Department of Finance: Please be prepared to provide a high-level walk-through of the programmatic realignment trailer bill language that was recently released, utilizing the matrix (Attachment C for this section) provided by the administration where helpful. Please call out substantive, critical issues of change for the Legislature's consideration.

Please address the following questions where possible:

- How does the constitutional amendment affect counties' first right of refusal to serve as the county mental health plan?
- In response to advocates' questions, what is the feasibility of delaying realignment of EPSDT by one year?
- How will the base and growth in future years be calculated to ensure that counties can always meet the obligations of entitlement programs?
- Department of Finance
- Legislative Analyst's Office

Attachment A

**Child Welfare Services
Department of Social Services
Proposed Programmatic Realignment Trailer Bill Language Matrix**

Authority/Citation/Description	Changes	Rationale
Section 1: Adoptions Program (Pages 1-64) WIC Sections 293, 294, 361, 361.5, 366.21, 366.22, 366.24, 366.25, 366.26, 366.3, 727.3 and 727.32	Amends statute to add county adoption agencies, deletes licensing requirement for county agencies.	Eliminates licensing requirements for counties to be adoption agencies pursuant to ABX 1_16.
Section 2: Child Welfare Services Program (Page 64) WIC Section 10101	Fiscal change from state general fund (SGF) to use of the realignment subaccount for this program. Maintains '91 realignment provisions. Also deleted outdated references to Title XX and TANF funding.	Conforms to 2011 realignment funding.
Section 3: Guardianship (Page 65) WIC 10101.2	Fiscal change from SGF to use of the realignment funding for this program. Maintains '91 realignment provisions.	Conforms to 2011 realignment funding.
Section 4: Title IV-B (Page 65) WIC 10103	Eliminates obsolete reference to the statewide foster care management system, keeps statewide information system, eliminates county match requirements.	Clean up
Section 5: California Child and Family Services Review (Pages 65-69) WIC 10601.2	Clarifies current county activities and performance measures required under this program. Further clarifies state responsibilities for oversight.	Integrates Federal CFPSR measures and process into state law to ensure compliance with Federal CFPSR. Conforms to 2011 realignment funding.
Section 6: Emancipated Youth Stipend (Pages 69-70) WIC 10609.3	Deletes obsolete reference to the Independent Living Program Strategic Planning Committee, maintains the stipend program framework, shifts funding from SGF to the realignment accounts.	Clarifies use of 1991 and 2011 realignment funding to supplement not supplant ILP. Eliminates reference to an obsolete Committee. Specifies federal maximum of 30% of federal ILP funds to be used on housing
Section 7: Independent Living Program/National Youth in Transition Database (Pages 70-72) WIC 10609.4	Maintains the ILP framework and county reporting structure, adds the federal reporting requirements for NYTD.	Amendments support continued receipt of federal fund.

Authority/Citation/Description	Changes	Rationale
<p>Section 8: Child Welfare Services Outcome Improvement Program (CWSOIP) (Pages 73-74) WIC 10609.9</p>	<p>Eliminates the statutory references to an annual augmentation and county match requirements. Maintains flexible use of these funds by counties to promote system improvement activity and improved outcomes. Provides the Department continue to track use of the funds for this purpose via the California Child and Family Services Reviews.</p>	<p>Maintains legislative intent and county accountability for these funds, and clean-up</p>
<p>Section 9: For Profit Placement (Pages 74-75) WIC 11402.6</p>	<p>Fiscal change from state general fund to use of the realignment funding for this program. Maintains '91 realignment provisions.</p>	<p>Conforms to 2011 realignment funding.</p>
<p>Section 10: AFDC-FC Performance Standards (Pages 75-76) WIC 11214 and 11215</p>	<p>Deletes obsolete code sections specific to the establishment of performance standards for the AFDC-FC program and the associated workgroup.</p>	<p>Clean Up</p>
<p>Section 11: Supportive Transitional Emancipation Program (STEP) (Pages 77-78) WIC 11403.1</p>	<p>Amends statute to make program optional to counties, maintains program framework and eliminates appropriation and sharing ratios.</p>	<p>Eliminates fiscal provisions that are inconsistent with realignment</p>
<p>Section 12: Transitional Housing Placement Program (Pages 78-81) WIC 11403.2, 11403.3 and 11403.4</p>	<p>Amends statute to make optional for counties the THP-Plus and THP- Plus Foster Care programs, maintains intent to prioritize placement of the nonminor dependents, provides mechanism for counties to inform the public of their intent to discontinue the program or shift funding to other high priority purposes. Eliminates the requirement for counties to submit plans to the Department. Shifts funding from the SGF to the Realignment Subaccounts for this program. Removes the requirement to maintain at least 30 percent of the program as THP-Plus Program and requires prioritization of youth in THP-Plus-Foster Care program.</p>	<p>Makes provision of this program optional for counties while maintaining legislative intent. Conforms to 2011 realignment funding.</p>
<p>Section 13: Specialized Care Increment (SCI) (Pages 81-82) WIC 11461 (e)</p>	<p>Maintains county option to participate in program, maintains the intent for the program, Clarifies purpose of increment is to pay for additional care and supervision (IVE requirement) requires counties to submit rate information to the department so the department can make public on the website, deletes requirement for the department to approve the SCI instead allows for the Department to review the county SCI to ensure state and federal compliance. Requires that the Department provide technical assistance upon request within 90 days of the request.</p>	<p>Clarifies program funding and role of state in ensuring federal compliance.</p>

Authority/Citation/Description	Changes	Rationale
Section 14: Supplemental Clothing Allowance (Pages 82-84) WIC 11461 (f) and 11463 (g)	Eliminates the requirement that counties submit a Clothing Allowance Program Notification to the Department. Specifies base clothing allowance of \$100 for all foster children. Eliminates supplemental clothing allowance of \$100 previously paid with 100% state funds. Shifts program cost from the SGF to the realignment accounts.	Sets a base rate for all county clothing allowances at \$100 and clarifies use of realignment subaccounts.
Section 15: Foster Care Overpayments (Pages 84-85) WIC 11466.23 (c) and adds (d)	Creates new framework for overpayments that occur after July 1, 2011.	Clarification of overpayment responsibilities for the state and county were necessary given realignment.
Section 16: SSI/SSP (Pages 85-87) WIC 13754 and 13757	Specifies that counties may use non-federal AFDC-FC and Kin GAP resources, and forgo federal financial participation (FFP), to pay for the placement to enable an application for SSI to be filed or to avoid a disqualification of SSI benefit that would result from a 12 month suspension of the SSI benefit. Adds provision that counties can use nonfederal AFDC-FC funds for youth in the care of a related caregiver if FFP is unavailable for this reason (despite WIC 11402(a)). Specifies that nonfederal AFDC-FC or KinGAP funds may be used to supplement the SSI payment that is received for at least one month during the 12 month period of suspension of the SSI benefit to avoid disqualification from the SSI benefit.	Conforms to 2011 realignment funding. Clarifies mechanism whereby SSI eligibility can be maintained for a youth whose federal AFDC-FC or federal KinGAP benefit causes suspension of the SSI payment for a 12 month period.
Section 17: Foster Care (Pages 87-88) WIC 15200 (c)	Fiscal change from SGF to use of the realignment funding for this program. Maintains '91 realignment provisions.	Conforms to 2011 realignment funding.
Section 18: Emergency Assistance TANF (Page 88) WIC 15200 (d)	Deletes section it is obsolete	Clean Up
Section 19: Hard to Place Adoptive Children (Page 88) WIC 15200 (e)	Maintains sharing ratio as of June 30, 2011. Effective FY 2011-12, shifts program costs from the SGF to the 1991 and 2011 Realignment Subaccounts.	Conforms to 2011 realignment funding.
Section 20: Kin GAP (Pages 88-89) WIC 15200 (f) and (g)	Sections are obsolete. The Department no longer uses federal TANF Block Grant funding for this program. Deletes references to prohibit changes to the funding ratios until the AFDC-FC performance standards are developed.	Clean Up

Authority/Citation/Description	Changes	Rationale
Section 21: Title XX (Page 89) WIC 15200 (h)	Deletes obsolete section that would provide for use of Title XX appropriated by the legislature for the AFDC-FC program shall be considered part of the state share of costs.	Clean Up
Section 22: Emergency Assistance TANF-Administration (Page 89) WIC 15204.25	Sections are obsolete. The Department no longer uses federal TANF Block Grant funding for this program. Deletes references to use of these funds to meet the federal MOE requirements.	Clean Up
Section 23: AFDC-FC Administration (Page 89) WIC 15204.9	Maintains historical sharing ratio and prospectively shifts program costs to the 1991 and 2011 Realignment Subaccounts.	Conforms to 2011 realignment funding.
Section 24: Adoptions (Pages 89-93) WIC Sections 16002, 16100, 16101 and 16105	Adds language that provides for county to contract with DSS or another county to provide adoption services and allows county adoption agencies to contract with licensed private adoption agencies for services that they cannot provide, eliminates licensing requirements for counties, clarifies new funding for the program as realignment subaccount	Amended to allow for county flexibility to contract with DSS or another county for adoption services. Conforms to 2011 realignment funding.
Section 25: Adoptions (Pages 93-98) WIC Sections 16118, 16119, 16120.1, 16121.05, 16122 and 16123	Adds county adoption agency throughout the statute and clarifies county activity for to meet federal reporting requirement.	County reporting necessary to meet new federal requirements specific to the re-investment of the Adoption Assistance Program De-link savings.
Section 26: Specialized Training for Adoptive Parents (Pages 98-99) WIC sections 16135, 16135.10, 16135.16 and 16135.26	Amended statute to make the program optional for counties to offer, maintains program framework, eliminates appropriation language, eliminates requirement for counties to submit a plan to DSS for approval, deletes obsolete references to contracts.	Makes the program optional for counties
Section 27: State Family Preservation Program (Pages 99-108) WIC sections 16500.5 and 16500.51, 16500.55, 16500.65 and 16500.8	Amends statute to reaffirm this program is intended to meet the match requirements for federal Promoting Safe and Stable Families program and new California Partnership for Permanency Grant, eliminates county ability to submit requests for advance fund claiming, Adds intent language that these funds be utilized to maximize federal financial participation. Adds language that the Department's shall provide administrative oversight, monitoring and consultation to counties to maintain federal funding. Continues annual reporting by counties for federal reporting purposes.	Amendments ensure the federal match requirements are met and programs can continue.

Authority/Citation/Description	Changes	Rationale
Section 28: Child Welfare Services Case Management System (Page 108) WIC 16501.5 (d)	Repeals obsolete section referencing implementation of the statewide Child Welfare Services Case Management System.	Clean Up
Section 29: Incarcerated Parents Data Entry (Page 108) WIC 16501.8	Amends the section to eliminate the requirement of the Department to consult with various stakeholders to identify the best way to update data regarding a child's incarcerated parent. Maintains documentation requirement for the social worker.	Retains social worker activity for documentation and deletes completed requirement. Clean up.
Section 30: Monthly Group Homes Visits (Pages 108-109) WIC 16516.5	Fiscal change from state general fund to use of the Realignment Subaccounts for this program.	Conforms to 2011 realignment funding.
Section 31: Substance Abuse/ HIV Infant Program (Pages 109-110) WIC 16525.10 and 16525.25	Amends statute to make program optional to counties, maintains program framework and provides for counties who had previously received SGF for this program who wish to reprioritize the use of the funds to report in their System Improvement Plans the rationale for the decision.	Provides county flexibility to offer program, provides for public accountability if program is discontinued by county, Conforms to 2011 realignment funding.
Section 32: Kinship Support Services Program (Pages 110-111) WIC 16605	Amended statute to make the program optional for counties. Provides option for counties to utilize funds from the Realignment Subaccounts for this program. Would require that counties who opt to utilize these funds for higher priority purposes to report the rationale for the change.	Provides county flexibility to offer program, provides for public accountability if program is discontinued by county, Conforms to 2011 realignment funding.
Section 33: Wraparound Services (Pages 111-112) WIC 18250 and 18257	Makes available to counties the use of the funds contained within the Realignment Subaccounts for this program.	Conforms to 2011 realignment funding.
Section 34: Intensive Wraparound Services (Pages 112-113) WIC 18254 (c)	Maintains sharing ratio as of June 30, 2011. Effective FY 2011-12 shifts program costs to the Realignment Subaccounts.	Conforms to 2011 realignment funding.
Section 35: SED Sharing Ratio (Page 113) WIC 18355	Statute is repealed based upon shift of the program to CDE.	Department no longer performs this function.
Section 36: Child Abuse Neglect Prevention, Intervention and Treatment (Pages 113-114) WIC 18960 (a) and (b)	Amends statute to eliminate references to specific counties with funded projects. Amends statute to clarify intent of the funds is to maximize federal financial participation and utilization of funds received by a county in the Realignment Subaccounts for this program.	Amendments ensure the federal match requirements are met and programs can continue.

Authority/Citation/Description	Changes	Rationale
<p>Section 37: Child Abuse and Neglect Prevention and Intervention (Child Abuse Prevention, Intervention and Treatment Program (Pages 114-116) WIC 18961 and 18962</p>	<p>Amended language reflects the intent of the CAPIT Program for services, maintains match requirement for counties as required for federal Child Abuse Prevention and Treatment Act and Community Based Family Resource Support grant funding, eliminates the role of DSS allocation criteria and processes.</p>	<p>Amendments ensure the federal match requirements are met and programs can continue.</p>
<p>Section 38: Adoptions (Pages: 116-133) Family Code 8506, 8509, 8515, 8521, 8524, 8530, 8531, 8608, 8619, 8620, 8621, 8700, 8701, 8702, 8703, 8704, 8705, 8707, 8708, 8709, 8710, 8710.1, 8710.3, 8712, 8713, 8715, 8716, 8717, 8720, 8730, 8732, 8733, 8734, 8735</p>	<p>Amends the Family Code sections specific to the adoptions program to include a definition of "county adoption agency", clarifies where appropriate county adoption agency or licensed adoption agency to distinguish between county and private adoption agencies. Repeals statutory requirement for the Department to encourage adoption agencies to make adoption training available to prospective adoptive families.</p>	<p>Creates in statute the county adoption agency.</p>
<p>Section 39: Adoptions- State Employee Benefits (Page 134) Government Code 30029.3</p>	<p>Amends this section to eliminate the references to the Department of Alcohol and Drug programs as a provider of Medi-Cal treatment services, Adds a provision for counties to reimburse DSS for the costs of providing agency adoption services, or to enter into a contract for these services, adds a provision that the reimbursement amount is not to exceed the amount of funding received by the county for this purpose. Adds a provision that would allow the county Board of Supervisors to the extent possible the option of extending the same employee benefits (retirement, seniority rights, and leave balances) or comparable benefits to a person who had been employed by DSS who obtains a position with a county.</p>	<p>Necessary for counties who want to contract with DSS for adoption services. Provides benefits for former state employees who may be hired by county CWS agencies.</p>
<p>Section 40: Tribal Programs (Pages 135-137) WIC 10553.1, adds 10553.11(a)(1)</p>	<p>Amends the statute to reflect the pre-realignment sharing ratios for tribal Title IV-E agreements.</p>	<p>Keeps pre-realignment sharing ratios for tribes who were exempt from realignment.</p>

Authority/Citation/Description	Changes	Rationale
<p>Section 41: Rule Making By Letter (Pages 137-138) WIC 10606.2</p>	<p>Adds statutory authority for the Department to make rule changes after consulting with stakeholders for state or county mandated activities via All County Letter or similar instructions. Allows the Department to adopt emergency regulations within 24 months of implementing a rule by letter. Adds language to provide for rulemaking by letter to allow for conformance with new federal laws and maximize federal financial participation.</p>	<p>Provides mechanism to implement new federal and state requirements while developing regulations.</p>
<p>Section 42: State Oversight Authority (Pages 138-141) WIC 10605</p>	<p>Repeals antiquated references to defunct Social Services Advisory Board. Makes counties who are non-compliant with federal or state law accountable for federal penalties. Amends existing DSS oversight authority to comport with the responsibility of the single state agency. Specifically the amendments clarify county responsibility to comply with state and federal law, authorize the Department to conduct audits and reviews of county CWS programs. Provides due process for counties to appeal actions and provides for pass through waiver authority if certain criteria are met.</p>	<p>Clarifies Departmental oversight authority and county responsibility for conformity with law in a manner consistent with 2011 Realignment.</p>
<p>Section 43: Congregate Care Reform (Pages 141-151) WIC 11461.2, 11462.05,11467,11469, 11215, 16501.1, 16508.3, 18987.7 and 18987.72</p>	<p>Adds language that requires the DSS to establish a workgroup to develop recommended revisions to the current rate setting system and services in the continuum of Title IV-E eligible placements and submit those recommendation to the legislature no later than October 2015. Repeals statutory reference to the 1995 rate setting work and recommendations, adds language for determination of appropriate placements via a workgroup that will be based upon a child's needs, deletes reference to the level of care assessment, adds certified FFA, ITFC/MTFC homes and community treatment facilities to the types of placement to be considered, repeals the section requiring the Department to establish a workgroup to establish therapeutic day service standards which was required in 1991, eliminates the language specific to the department reviewing county residentially based services programs. Adds language that would extend the RBS agreements to July 2016.</p>	<p>In response to stakeholder and provider concerns and court rulings this activity would connect realigned funding to improved outcomes and quality of care for children placed along the foster care continuum.</p>

Attachment B

**Substance Abuse Services
Department of Alcohol and Drug Programs
Proposed Programmatic Realignment Trailer Bill Language Matrix**

Authority/Citation/Description	Changes	Rationale
Business & Professions Code 19954 Transfer	Amended to change reference to DPH. Statute states that each licensee shall pay an additional \$100 for each table for which it is licensed to the DADP. The funds are available, upon appropriation by the Legislature, to community-based organizations that provide gambling addiction assistance. Funding oversight resides in the Office of Program Gambling which is being transferred to the CDPH	Program proposed to transfer to DPH
Government Code Section 30029.3 DMC Transfer	Replaces "Medi-Cal Drug Treatment Program" with "Drug Medi-Cal Treatment Program". Removes reference to Health and Safety Code and replaces with reference to Welfare and Institutions Code.	Chapter 32, Statutes of 2012 (Assembly Bill 106) transfers the Drug Medi-Cal (DMC) program to the Department of Health Care Services (DHCS) effective July 1, 2012. Conforms name of the program with current usage.
Health and Safety Code Section 11750 Transfer	Existing statute establishes ADP. Amended to abolish ADP as of July 1, 2012 and reference specific ADP duties that are re-assigned to DHCS, DPH, DSS	Proposed elimination of ADP. Necessary to transfer authority of ADP duties to other departments.
Health and Safety Code Section 11750.1 Transfer	New statute	Added to transfer ADP duties/programs proposed to go to DHCS. Gives authority for DHCS to receive and use fees, fines and penalties collected with respect to transferring programs.
Health and Safety Code Section 11750.2 Transfer	New statute	Added to transfer ADP programs proposed to go to DPH. Gives authority for DPH to receive and use fees, fines and penalties collected with respect to transferring programs.
Health and Safety Code Section 11750.3 Transfer	New statute	Added to transfer ADP duties to DSS related to licensing of 24-hour non-medical residential alcohol and drug treatment facilities. Gives authority for DSS to receive and use fees, fines and penalties collected with respect to transferring program.
Health and Safety Code Section 11750.4 Transfer	New statute. Added to ensure that any reference in statute, regulation, or contract to ADP is construed to refer to DHCS, DPH, or DSS, as applicable. Adds contract protections, transfers an unexpended appropriation, provide DOF authority to determine where balances belong if necessary, transfers property, protects civil service status of employees.	Necessary for orderly transfer of programs to other departments

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11750.5 Transfer	New statute. Added to ensure that any regulation or other action performed by an agency or officer in the administration of a program shall remain in effect and be deemed a regulation or action of the agency or officer to whom the program is assigned.	Necessary for orderly transfer of programs to other departments
Health and Safety Code Section 11750.6 Transfer	New statute. Added to ensure that no suit, action, or other proceeding by or against any agency or officer of the state transferred by this act shall abate because of the transfer.	Necessary for orderly transfer of programs to other departments
Health and Safety Code Section 11751 Transfer	Repealed. Statute provided that ADP is under the control of the Director of ADP	Statute no longer necessary. Proposed elimination of ADP. Control will be under director of DHCS
Health and Safety Code Section 11751.1 Transfer	Repealed. Statute addressed powers of the ADP director	Statute no longer necessary. Proposed elimination of ADP.
Health and Safety Code Section 11751.2 Transfer	Repealed. Established ADP divisions	Statute no longer necessary. Proposed elimination of ADP.
Health and Safety Code Section 11751.4 Transfer	Repealed. Statute provided legislative intent to "ensure the integrity of" ADP	Statute no longer necessary. Proposed elimination of ADP.
Health and Safety Code Section 11751.9 Transfer	Repealed. Statute provided for ADP director to appoint all officers and employees	Statute no longer necessary. Proposed elimination of ADP. Each of the other departments already have authority to appoint officers and employees in their respective departments
Health and Safety Code Section 11752 Transfer	Amended. Statute provided that the term "department"/"director" referred to ADP. Amended to refer to DHCS for those sections transferring to DHCS.	Necessary to ensure appropriate authority/clarity for transferring programs.
Health and Safety Code Section 11754 Transfer/Realignment	Amended. Statute provided that ADP was single state agency for receipt of SAMHSA federal funds. Replaced with DHCS. For clarity, added reference to 11775 which addresses dept. applying for federal block grant funds	Clarifying departmental authority and that primarily only federal funds remain.
Health and Safety Code Section 11755 Transfer/Realignment	Statute sets forth the department's duties, including adopting regulations, employing personnel, providing funds to counties for planning and implementing local programs related to AOD, and reviewing and executing contracts.	This section will be under authority of DHCS Amended re: repealing reference to DMC contracts and clean up of unneeded or incorrect language. Transfer language clarification to allow for collection of data from all departments and NTP (which is transferring to DPH)

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11755.2 Realignment	Repeals section establishing loan program for group homes	Department no longer performs this function. Feds no longer require this program
Health and Safety Code Section 11756.8 Realignment	Repeals section for semiannual updates to Legislature on progress and implementing of system of cares redesign project.	Requirement completed.
Health and Safety Code Section 11757.53 Realignment	Amended to place in statute previously uncodified program that is part of realignment. Repeals reference to "Office of Perinatal Substance Abuse"	Creates in statute the general requirements for a program (Women and Children's Residential Treatment Services) whose funds were realigned. The program did not previously exist in statute. The referenced office will no longer exist in ADP after realignment.
Health and Safety Code Section 11757.57 Realignment	Repeals section. Allowed for the contracting of AOD training.	The referenced office will no longer exists in ADP
Health and Safety Code Section 11757.59 Realignment	Amended to remove guidelines for special needs and pregnant/postpartum.	Creates in statute the general requirements for a program whose funds were realigned. Necessary to allow annual changes to federal SAPT BG allowable activities to be referenced in contract and bulletins, not state statute.
Health and Safety Code Section 11757.61 Realignment	Deletes language regarding "lead agency" and creates permissive element of a county organized perinatal coordinating council.	Maintains in statute the general requirements for a program whose funds were realigned. Recommended to allow counties flexibility in determining if council exists, and if so, what entity is best suited to convene council.
Health and Safety Code Section 11758, 11758.03, 11758.06 Realignment	Repeals sections re: Fatal Drug Overdose Information	Department no longer performs this function
Health and Safety Code Section 11758.10 Realignment	Amended to delete county requirements/county plans/forms and establish time, execution requirements and legislative appropriation language.	Establishes single contract process eliminating need for NNA , county plan and DMC separate documents. Clarifies that contract is to be executed in the same fiscal year in which it is effective.
Health and Safety Code Section 11758.12 Realignment/Transfer	Repeals section regarding negotiated net amounts and medi-cal references.	Process no longer used.
Health and Safety Code Section 11758.13 Realignment	Repealed.	Same as above

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11758.20 Realignment/Transfer	Removes reference to Drug Medi-Cal and NNA.	No longer using NNA and DMC. One contract will be used. Contract to ensure county compliance with federal requirements
Health and Safety Code Section 11758.23 Realignment/Transfer	Section sets out requirement for county/state development of NNA contracts. Repealed	No longer using NNA contracts
Health and Safety Code Section 11758.25 Realignment	Repealed	Language moved to 11798 to put all SAPT contract requirements in one area of the code.
Health and Safety Code Sections 11759, 11759.1, 11759.2, 11759.3, 11759.4 Realignment	Repeals Adolescent Alcohol and Drug Treatment and Drug Program Act.	Project ended.
Health and Safety Code Section 11760.2 Realignment	Repeals Legislature findings that the state government has an affirmative role in alleviating problems related to the inappropriate use of alcoholic beverages and other drug use.	Unnecessary
Health and Safety Code Section 11760.3 Realignment	Repeals Legislature findings that the state government's role in alleviating alcohol and drug use problems should be limited.	Realignment eliminates need for this language.
Health and Safety Code Section 11760.4 Realignment	Repeals Legislature findings that the responsibility and authority for alleviating alcohol and drug use problems should be concentrated primarily in one state department.	Realignment eliminates need for this language.
Health and Safety Code Section 11760.5 Realignment	Amended to change "law enforcement" problem to "public safety" problem.	Reconciles term used in realignment.
Health and Safety Code Section 11772 Realignment	Amended section which states that ADP can contract directly to provide referral and monitoring services for recipients of Supplemental Security Income in counties that choose not to provide services. Deleted language for activities no longer being done. Deleted legislative intent language. Eliminated previous inconsistency in the language regarding the provision of services by the department	Allows department to provide or contract for services when a county chooses not to. Provides a mechanism for ensuring needs are met and federal maintenance of effort requirements are met.
Health and Safety Code Section 11773 Realignment	Repeals the Methamphetamine Deterrence Programs.	Clean up; funding for this awareness campaign ended in 2007.
Health and Safety Code Section 11773.1 Realignment	Repeals the Methamphetamine Deterrence Programs.	Clean up; funding for this awareness campaign ended in 2007.
Health and Safety Code Section 11773.2 Realignment	Repeals the Methamphetamine Deterrence Programs.	Clean up; funding for this awareness campaign ended in 2007.
Health and Safety Code Section 11773.3 Realignment	Repeals the Methamphetamine Deterrence Programs.	Clean up; funding for this awareness campaign ended in 2007.

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11775 Realignment	Amended to remove reference to the Alcohol, Drug Abuse, and Mental Health Administration and replace with the Substance Abuse and Mental Health Services Administration. Adds language that dept can receive and expend other federal funds.	Clean up. Allows receipt of other federal funds in the event new or changed AOD funds become available.
Health and Safety Code Section 11776 Realignment	Amended to updated the names of state departments, including Dept. of Corrections and Rehabilitation, Dept. of Public Health, etc. and deletes Mental Health	Clean up
Health and Safety Code Section 11781 Realignment	Repeals Legislature findings that federal, state, and local governments have the responsibility to ensure access to AOD services, with an emphasis on women, ethnic minorities, and other disenfranchised segments of the population.	Intent language clean up
Health and Safety Code Section 11789 Realignment	Amended to remove language stating that no state agency shall conduct research or service project of AOD abuse until it has provided ADP with a description of its project.	Language being repealed is outdated and too broad. Requires every state agency to get permission from ADP for AOD research.
Health and Safety Code Section 11792 Realignment	Amended to update the name of DPH and to change language for infants "exposed" not "addicted" to cocaine.	Clean up
Health and Safety Code Section 11794.1 Realignment	Amended to update the name of DPH and to add "other medical professionals" to language regarding informing "medical doctors" of the benefits of AOD treatment.	Clean up
Health and Safety Code Section 11796 Realignment	Amended to remove requirement that a county must have a population under 200,000 to jointly establish county alcohol and other drug programs.	No need to restrict counties ability to work cooperatively.
Health and Safety Code Section 11797 Realignment	Amended to add language that declares LRF funds state funds distributed by the principle state agency for purposes of SAPT block grant. Also remove reference to Drug Medi-Cal contracts, NNA and approved county plans.	Protects meeting the SAPT MOE
Health and Safety Code Section 11798 Realignment/Transfer	Amended to add language requiring that funds contained in county contracts be used exclusively for AOD services and that such funds shall be separately identified and accounted for. Added language for protection of client treatment information.	Creates in one place contract requirements for necessary SAPT oversight
Health and Safety Code Section 11798.01 is renumbered from 11758.29 Realignment	Removes references to net negotiated amounts. Moved and amended contract language from another section to keep contract language together.	No longer doing NNA. Moved to put in more appropriate place in code to keep contract language together.
Health and Safety Code Section 11798.02 renumbered from Section 11853.5 Realignment	Clarifies dept approves county contracts for services and limits requirement to division in the code rather than part	Department's previous authority to "review" language did not clearly set out that dept was approving. Applicability language change necessary when section moved to different area of the code

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11798.1 Realignment	Amended to reduce county reporting requirements.	Aligns statute with existing practice. Counties have been operating coordinated systems since the 90s. Existing statute references alcohol and drug programs as separate county program areas. Practice and funding have long since shifted to combined program/funding contract for the substance use disorder treatment activities, as well as primary prevention activities
Health and Safety Code Section 11801 Realignment	Amended to reduce county administrator requirements.	County flexibility given realignment
Health and Safety Code Section 11802 Realignment	Repealed – section contains requirements for use of money deposited in a county “alcohol abuse education and prevention fund”	If it still occurs, repeal allows for county flexibility. In addition, appears that underlying statutory authority has been previously repealed.
Health and Safety Code Section 11811 Realignment	Repealed – language giving counties broad discretion in choosing services to provide	Unnecessary with realignment
Health and Safety Code Section 11811.3 Realignment	Repealed. Listed other services a county could provide, including occupational programs.	Unnecessary with realignment
Health and Safety Code Section 11811.5 Realignment/Transfer	Adds requirement clarifying administrative expenditures eligible for SAPT funding. Removes reference to Drug Medi-Cal	Restricts use of funds to meeting SAPT requirements because only addressing SAPT funds.
Health and Safety Code Section 11811.6 Realignment	Amended to remove language charging actual and necessary expenses for attendance at special meetings of the committee. Added DPH and CDSS to language to be consistent with transfer of programs.	Duplicative of previous section. Reference to other departments necessary to ensure consistency with transfer proposal.
Health and Safety Code Section 11812 Realignment	Amended to replace reference to county plan with county contract.	Using single county contract.
Health and Safety Code Section 11812.6 Realignment	Repealed – intent language and language requiring the director to consult with DMH in developing guidelines for county mental health and AOD treatment programs.	Unnecessary intent language. SAPT block grant dollars already require states to prioritize planning for the treatment of co-occurring disorders.
Health and Safety Code Section 11813	Repealed. Statute provided that nothing in this part of the code would prohibit a county from using funds other than those provided by the department for SUD services	Unnecessary statute within a state/county realigned environment
Health and Safety Code Section 11814 Realignment/Transfer	Adds clarifying language and removes reference to Drug Medi-Cal and NNA contract and county plans	Now using a single contract
Health and Safety Code Section 11817.1 Realignment	Amended to remove reference to county plans or negotiated net amounts.	Now using a single contract
Health and Safety Code Section 11817.3 Realignment/Transfer	Removes reference to Drug Medi-Cal and county plans and adds minor clarifying language.	Now using a single contract
Health and Safety Code Section 11817.4 Realignment	Language required state to pay all expenditures made by counties in accordance with statute	No longer true with realignment

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11817.6 Realignment	Amended to remove the word "state" from "state funds."	No state general funds remain for this purpose.
Health and Safety Code Section 11817.8 Realignment	Adds clarifying language. Moves "investigations" from repealed/duplicative section to here. Repeals references to "state funds"	Repeals outdated language. Clarifies audit requirements for federal funds only.
Health and Safety Code Section 11818 Realignment	Removes language no longer applicable and clarifies services must be "reimbursable"	No longer using NNA
Health and Safety Code Section 11818.5 Realignment	Removes language regarding county plan including "estimating" numbers of people served.	No longer using a county plan
Health and Safety Code Section 11819.1 Realignment	Repealed intent language encouraging a harmonious relationship between local health agencies and counties	Intent language, referencing mid 1970's planning efforts. Replaced by current planning efforts for Health Care Reform implementation.
Health and Safety Code Section 11820 Realignment	Repealed. Statute provides legislative intent of the potential positive impact that all levels of government can have on addressing SUD programs through coordination and encourages stakeholders to become involved	Federal funding streams currently require states to involve consumers in stakeholder activities.
Health and Safety Code Section 11820.1 Realignment	Repealed. Statute provided that the dept work with OSPHD and other statewide planning agencies created per Public Law 93-641 on implementation of state health plan.	No longer in effect. Health Care planning has shifted to preparation for the federal Affordable Care Act and California's implementation of same.
Health and Safety Code Section 11825 Realignment	Amended to remove reference to county plans.	Proposing use of single contract
Health and Safety Code Section 11827 Realignment	Repealed. Statute provided legislative recognition of program evaluation in differing ways and evaluation is essential in holding counties accountable and encourages diversity of methods	Federal program evaluation and reporting requirements are state level and standardized. Counties and providers will be accountable for participation within these activities.
Health and Safety Code Section 11828 Realignment	Amended to add specific reference to "federally funded programs" to language of evaluating programs to determine if objectives have been met.	Previously only referred to state. Added federal since now only SAPT funds. Left state for purposes of MOE
Health and Safety Code Section 11830 Transfer	Amended. Statute lists the goals and objectives of the department when implementing quality assurance, including the significance of community-based programs to AOD recovery and the opportunity for low-income and special needs populations to receive AOD recovery or treatment services.	Amended so any reference to ADP in the chapter refers to DHCS for transfer of the program.
Health and Safety Code Section 11832.1 Transfer	Amended. Statute encourages the development of educational courses related to AOD abuse problems and programs. Amended to specify that "department" refers to DPH.	For transfer of the activity. Necessary because surrounding codes address activities being transferred to more than one department.

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11833 Transfer	Amended. Statute states that the "department" has sole authority in state government to determine the qualifications for personnel working within AOD abuse recovery and treatment programs. Amended to specify that "department" refers to DPH.	For transfer of the activity. Necessary because surrounding codes address activities being transferred to more than one department.
Health and Safety Code Section 11833.01 Transfer	Amended. Statute states that the chapter on licensing applies to all programs, facilities, or services. Amended to specify that the chapter applies all programs, facilities, or services certified by DHCS or licensed by DSS.	For transfer of the activity. Necessary because code addresses activities being transferred to more than one department.
Health and Safety Code Section 11833.02 Transfer	Amended. Statute provides for charging a fee for licensing or certification. Amended to ensure that the provisions are applicable to DSS and DHCS.	For transfer of the activity. Necessary because code addresses activities being transferred to more than one department.
Health and Safety Code Section 11833.03 Transfer	Amended to repeal reference to department. Statute establishes the Residential and Outpatient Program Licensing Fund in the State Treasury.	Amended to ensure that DSS has the ability to enter into an IA with DPH to provide DPH with funds for counselor certification activities.
Health and Safety Code Section 11834.01 Transfer	Amended. Statute provides for sole authority for licensing facilities. Any reference in the chapter to ADP now refers to DSS.	Necessary to transfer licensing authority to DSS
Health and Safety Code Section 11834.29 Realignment	Repealed	Language requires compliance with law within one year of adopted regulations. Compliance timeframe completed
Health and Safety Code Section 11835 Realignment/Transfer	Amended to remove reference to NNA and DMC contracts. Clarified AOD administrator reg approval process does not apply to emergency regulations	Proposing use of single contract. Excluded emergency regulations to conserve time needed to implement to help ensure they are adopted on time.
Health and Safety Code Section 11836.05 Transfer	Added. Provides that references in this chapter apply to DPH. Additional language added (copied from 11755) regarding DPH's general duties (e.g. employ personnel, perform necessary acts to carry out purpose of the chapter, contract with individuals or agencies).	Necessary to transfer DUI licensing authority to DPH
Health and Safety Code Section 11839 Transfer	Amended. Statute provides department authority to contract with any public or private agency for the performance of its functions. Amended to refer to DPH. Additional language copied from overall ADP authority and added regarding DPH's general duties.	Necessary to transfer NTP licensing authority to DPH
Health and Safety Code Section 11839.2 realignment	Amended to move reference of Buprenorphine products to list of controlled substances authorized for use in narcotic therapy.	Clean up; combines language of authorized medications for use in Narcotic Treatment Programs from 11875 which is repealed.
Health and Safety Code Section 11840 realignment	Repealed section requiring counties to provide matching funds for programs and services.	No more matching funds required
Health and Safety Code Section 11840.1 Realignment	Repealed section requiring a ten percent county match every fiscal year in counties with a population over 100,000.	No more matching funds required

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11842 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs” Realignment	Repealed language defining “narcotic and drug abuse program.”	Language is obsolete
Health and Safety Code Section 11842.5 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs”	Repealed language defining “alcohol and drug abuse programs.”	Language is obsolete
Health and Safety Code Section 11843 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs”	Repealed language requiring counties to establish and maintain a registry of all narcotic and drug abuse programs and AOD programs.	Language is obsolete
Health and Safety Code Section 11843.5 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs” Realignment	Repealed language requiring narcotic and drug abuse program and AOD program to register with the county.	Language is obsolete
Health and Safety Code Section 11844 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs” Realignment	Repealed registration requirements of narcotic and drug abuse and AOD programs.	Language is obsolete
Health and Safety Code Section 11844.5 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs” Realignment	Repealed language stating that registration does not constitute approval of any program.	Language is obsolete
Health and Safety Code Section 11845 (ref – Chapter addressing Registration of Alcohol and other Drug Abuse Programs” Realignment	Repealed language stating that registration is not required for AOD education in schools.	Language is obsolete
Health and Safety Code Section 11848 Realignment	Repealed language regarding general fund appropriation.	Realignment
Health and Safety Code Section 11848.5 Realignment	Removes rate setting methodology requirement for Drug Medi-Cal. Adds correction to department name.	DMC transferred to DHCS
Health and Safety Code Section 11851.5 Realignment	Removes reference to Drug Medi-Cal contract, NNA, county plan and repeals redundant language	Using single contract
Health and Safety Code Section 11852 Realignment	Repealed and portions added to 11798.	Using single contract
Health and Safety Code Section 11852.5 Realignment	Removes reference to Drug Medi-Cal contract, NNA, County plan	Using single contract
Health and Safety Code Section 11853 Realignment	Removes reference to Drug Medi-Cal contract, NNA, County plan	Using single contract

Authority/Citation/Description	Changes	Rationale
Health and Safety Code Section 11853.5 (See 11798.02)	Amended and renumbered to Section 11798.02	Department's previous authority to "review" language did not clearly set out that dept was approving. Applicability language change necessary when section moved to different area of the code (See 11798.02)
Health and Safety Code Section 11854 Realignment	Language required development of program reporting method for county compliance Repealed.	Complete
Health and Safety Code Section 11859	Will be renumbered from 11860 to ensure that DHCS, with Agency approval, may contract with public or private agency to perform any of the department's functions.	Clean-up. Section 11860 is in a repealed chapter.
Health and Safety Code Section 11875 Realignment	Repealed here and added to Section 11839.2 language specifying controlled substances authorized for use in replacement narcotic therapy.	Clean up – language regarding authorized substances was in different code sections.
Health and Safety Code Section 11876 Realignment/Transfer	Repealed language requiring ADP to inspect programs dispensing controlled substances.	Clean up – no longer needed. Requirement contained in NTP licensing section. Language is duplicative
Health and Safety Code Section 11970.1 Realignment/transfer	Amended to remove reference to Comprehensive Drug Court Implementation Act of 1999, make the program optional to counties, and provide for state oversight.	Realigned Program – remaining requirements necessary for state oversight.
Health and Safety Code Section 11970.2 Realignment	Amended to add language stating that funds in the Drug Court Subaccount shall be used to fund the cost of drug court treatment programs and to require counties to develop a plan for the operation of drug court programs. Adds intent language. Changed reference from ADP to department for transfer.	Funding language added to protect MOE. Intent language added to ensure program meets the established national standard for drug courts
Health and Safety Code Section 11970.2 Realignment	Repealed Legislature intent regarding drug courts.	Realigned Program
Health and Safety Code Section 11970.3 Realignment	Repealed Legislature intent regarding being funded by the annual Budget Act.	Realigned Program
Health and Safety Code Section 11970.35 Realignment	Repealed language stating that funding shall be allocated to counties that participate in the program during the 2002-03 fiscal year.	Realigned Program
Health and Safety Code Section 11970.45 Realignment	Repealed. Drug Court Partnership Act	Realigned Program
Health and Safety Code DIVISION 10.6 is repealed DRUG AND ALCOHOL ABUSE MASTER PLANS SECTION 11998-11998.3	Repealed. Requirements completed pre-1992	Clean up
Health and Safety Code DIVISION 10.7 is repealed ILLEGAL USE OF DRUGS AND ALCOHOLS SECTION 11999-11999.3	Repealed	Clean up

Authority/Citation/Description	Changes	Rationale
Health and Safety Code DIVISION 10.9 is repealed SUBSTANCE ABUSE TESTING AND TREATMENT ACCOUNTABILITY PROGRAM SECTIONS 11999.20- 11999.25	Repealed	Clean up. Program no longer in effect.
Welfare and Institutions Code Section 2100 Realignment	Repealed. Youth mentoring program	Intent language of program that is no longer operative
Welfare and Institutions Code Section 2104 Realignment	Repealed. Youth mentoring program	Program no longer operative, with no state resources available to conduct defined state level activities
Welfare and Institutions Code Section 2106 Realignment	Repealed. Youth mentoring program	Program no longer operative, with no state resources available to conduct defined state level activities
Welfare and Institutions Code Section 4369 Transfer	Amended to change reference to DPH. Statute establishes the Office of Problem and Pathological Gambling.	Proposed transfer of OPG program to DPH
Welfare and Institutions Code Section 4369.1 Transfer	Amended to reference DPH rather than ADP and reference any current edition of DSM rather than specific 4th edition.	Proposed transfer of OPG program to DPH.
Welfare and Institutions Code Section 4369.4 Transfer	Amended to eliminate reference to ADP, DMH, CYA, and to update names of other departments. Statute provides for coordination with Office of Problem and Pathological Gambling to take into account problem and pathological gamblers.	Elimination of DMH and ADP and shift of programs to DPH
Welfare and Institutions Code Section 14021 Transfer	Changes references from ADP to department. For all DMC statutes, beginning with 14021 (c), the term "drug abuse" is being replaced by the term "substance use disorder". Replaces references to Short-Doyle with specialty mental health services.	DMC Transfer, AB 106. The transfer necessitates changing references to the responsible department to mean the DHCS. Update terminology for this health condition.
Welfare and Institutions Code Section 14021.33 Transfer	Added. Specifies that all regulations pertaining to DMC adopted by the Department of Alcohol and Drug Programs (ADP) shall remain in effect until readopted, amended or repealed; adds All County Letter and Provider Bulletin authority for limited term.	DMC Transfer, AB 106. To ensure continuity of program regulations and provide flexibility for the DHCS to issue time-limited All County Letters while pursuing regulatory process.
Welfare and Institutions Code Section 14021.35 Transfer	Replaces reference to ADP with DHCS; removes language in (a) that references the HSC and state plan amendment requirements for ADP; removes ADP in (c) and adds the term "Drug Medi-Cal"; and adds the authority for DHCS to implement any necessary federal Social Security Act Medicaid waivers to administer the Drug Medi-Cal program.	DMC Transfer, AB 106, and Realignment. Updates reference of department to DHCS; affirms DHCS's ability to develop and submit waivers for the DMC program.
Welfare and Institutions Code Section 14021.51 (renumbered from HSC 11758.42) Transfer	Repeals unnecessary reference to DHCS. Repeals reference to ADP and HSC.	DMC Transfer, AB 106. The DMC program portions in the HSC are amended and placed into the WIC with other Medi-Cal services.

Authority/Citation/Description	Changes	Rationale
Welfare and Institutions Code Section 14021.52 (renumbered from HSC 11758.421) Transfer	Removes references to Health and Safety Code and renames DHCS/department.	DMC Transfer, AB 106. The amendment to this section updates the department name and deletes reference to HSC.
Welfare and Institutions Code Section 14021.53 (renumbered from HSC 11758.425) Transfer	Removes references to Health & Safety Code.	DMC Transfer, AB 106. The amendment to this section updates the department name and deletes reference to HSC.
Welfare and Institutions Code Section 14021.6 Transfer	Amended. Renames the Medi-Cal Drug Treatment Program to the Drug Medi-Cal Program	DMC Transfer, AB 106. For clarity, the amendment to this section updates the department name, updates program name and deletes reference to HSC.
Welfare and Institutions Code Section 14021.9 DMC Transfer	Amended. (d) that specifies the methodology for Drug Medi-Cal rates for 2012-13 and thereafter.	DMC Transfer, AB 106. Clarifies the DMC rates will be set by DHCS in the same manner as set by ADP from 2009-10 to 2011-12.
Welfare and Institutions Code Section 14124.20 (formerly Health and Safety Code Section 11758.40) Realignment/DMC Transfer	Updates the program name to "Drug Medi-Cal Treatment Program" and adds that counties contracting with DHCS for Drug Medi-Cal (DMC) and alcohol and other drug funding shall have a single contract.	Program is realigned to counties and transferred to Dept of Health Care Services; changes are made for clarity and consistency of name with other code sections; maintains current law for a combined State-county contract for alcohol and other drug services should other ADP programs transfer to DHCS. Maintaining a combined contract for alcohol and other drug services with counties minimized the administrative burden to the State department, counties and service providers.

Authority/Citation/Description	Changes	Rationale
<p>Welfare and Institutions Code Section 14124.21 (formerly Health and Safety Code Section 11758.43)</p> <p>Realignment/Transfer</p>	<p>Amended to refer to DHCS.</p> <p>The section is amended to add: that DHCS shall determine a need to contract for services within the county; that the county shall notify the department of its intent to not contract, or terminate a contract, for DMC services in whole or in part; specifies timelines for notification; requires the department to work collaboratively with CADPAAC and provider organizations to develop a single payment process for direct contract providers enabling the department to contract directly with certified providers in the county or with other qualifying entities such as joint powers agreements. Repeals reference to the federal Sobky v. Smoley court order and reference to the eliminated funding source. Allows DHCS to work with the Department of Finance and the Controller to redirect realignment funds when a county does not provide DMC services per WIC 14719.</p>	<p>Program is realigned to counties and transferred to Dept of Health Care Services. When a county does not administer the program, the State would need access to non-federal funds to pay providers for approved services. The proposal would add that the Dept of Health Care Services work with the Department of Finance and the Controller to identify the amount of funds necessary to pay for Drug Medi-Cal services.</p> <p>The direct reference to the Sobky v Smoley court order creates a conflict in the law and does not provide any additional protections for clients or providers. The State has met the requirements of the order (e.g. implementation plan and reports to the court). And the state will continue to ensure access as required under federal Medi-Caid law. Moreover, Sobky also contains a very specific plan that is no longer possible under Realignment 2011 given that the state no longer provides General Fund for this purpose.</p>
<p>Welfare and Institutions Code Section 14124.22 (renumbered from 11758.44)</p> <p>Transfer</p>	<p>Removes references to H&S Code; changes the term "concurrent diseases" to "health conditions"; and delete sub-section (c) since not seeking reimbursement from Medi-Cal beneficiaries for any other services covered by Medi-Cal is already required under existing Medi-Cal law. Removes references to Health and Safety Code</p>	<p>DMC Transfer, AB 106. For clarity, the amendment to this section updates department name, terminology, and program name, and deletes reference to HSC.</p>
<p>Welfare and Institutions Code Section 14124.23 (renumbered from 11758.45)</p> <p>Transfer</p>	<p>Removes references to Health & Safety Code</p>	<p>DMC Transfer, AB 106. For clarity, updates department name.</p>
<p>Welfare and Institutions Code Section 14124.24 (renumbered from 11758.46)</p> <p>Realignment/DMC Transfer</p>	<p>Renames DADP/DHCS; eliminates outdated language regarding implementing an automated claims processing system which is completed; establishes the Drug Medi-Cal contract as separate from the single state-county contract; removes interagency agreement language; and clarifies in sub-paragraph (e) that certified Drug Medi-Cal providers must also have a state-approved Drug Medi-Cal contract or be an approved subcontractor to an approved Drug Medi-Cal contractor in order to receive reimbursement for Drug Medi-Cal services. Adds language exempting contracts from the requirements of the Public Contract Code.</p>	<p>DMC Transfer, AB 106. For clarity, the amendment to this section updates department name, terminology, and program name, and deletes reference to HSC.</p>

Authority/Citation/Description	Changes	Rationale
Welfare and Institutions Code Section 14124.25 (renumbered from 11758.47) Realignment	Renames DHCS/department.	DMC Transfer, AB 106. For clarity, the amendment to this section updates department name, terminology, and program name, and deletes reference to HSC.
Welfare and Institutions Code Section 14124.26 is added Transfer	Added. Provides DHCS with temporary authority to implement program changes through all-county letters or similar instruction until completion of the regulatory process.	Program is realigned to counties and transferred to Dept of Health Care Services. As the program is transferred, the authority to issue all county letters or bulletins is necessary to implement and clarify fiscal aspects of the program.
Welfare and Institutions Code Section 14132.21 Realignment	Repealed.	Action completed
Welfare and Institutions Code Section 14132.36 Realignment	Amended	Removes ADP from statute, and removes reference to state funding for residential programs,.
Welfare and Institutions Code Section 14132.90 Realignment	Amended	Removes obsolete funding language and references to contingency reserves held by ADP.
Uncodified Section	Language is added for the bill to take effect immediately.	This proposal implements portions of the Budget Bill and takes effect immediately.

Attachment C

**Mental Health Services
Department of Health Care Services
Proposed Programmatic Realignment Trailer Bill Language Matrix**

Authority/Citation/Description (all sections listed are from the Welfare and Institutions Code)	Change
Section 14705 (Renumbered from Section 5718)	<p>Updates language to specify that counties may use funds from the Mental Health Subaccount, the Mental Health Equity Subaccount, the Vehicle License Collection Account, the Mental Health Account, the Behavioral Health Subaccount, the Mental Health Services Fund and any other funds distributed by the Controller to pay for services and certify them as public expenditures.</p> <p>Brings language current by: adding “specialty” to the term “mental health services”; replaces “the mentally ill” with “persons with mental illnesses”; and replaces “county mental health program” with “mental health plan.” These changes occur throughout the trailer bill.</p> <p>Clarifies requirements for certifying public expenditure requirements.</p>
Section 14707 (Renumbered from Section 5711)	<p>In addition to some minor cleanup, clarifies and updates procedures for addressing audit exceptions.</p> <p>Authorizes the Department to 1) offset federal reimbursement; and 2) request the Controller to offset funds from the counties’ distribution from the Mental Health Subaccount, the Mental Health Equity Subaccount, the Vehicle License Collection Account, the Mental Health Account, the Behavioral Health Subaccount, , the Mental Health Services Fund, and any other county funds that the Controller distributes to the counties. The Department must demonstrate to the Controller that it has notified the counties of the coming offset.</p>
Section 14708 (Renumbered from Section 5720)	<p>Removes language that required the director to establish the amount of reimbursement for services provided by the mental health plans (MHP).</p>
Section 14712 (Renumbered from Section 5775)	<p>(a) Removes references to capitated rate contracts. Adds language that states an MHP may include individual counties, counties acting jointly, or an organization or a non-governmental entity determined by the department to meet program standards.</p> <p>(b) Clarifies two or more counties may act jointly for the delivery of services subject to the Department’s approval.</p> <p>(c)(1) Requires a county to inform the Department in writing if it decides not to contract with the department, does not renew its contract, or is unable to meet Department standards.</p> <p>(c)(2) Requires the Department to ensure that services are provided to beneficiaries if the county decides not to contract.</p> <p>(c)(3) Same as (c)(2) if the county is unable to meet the standards.</p> <p>(c)(4) Authorizes the Department to contract with other entities if the county is unwilling or unable to contract with the State.</p> <p>(d) Provides for the Department to work with the Department of Finance, and</p>

Authority/Citation/Description (all sections listed are from the Welfare and Institutions Code)	Change
	<p>the Controller to sequester county funds if the county does not contract with the State or another approved entity to provide services. References other section of law that describes how this will occur; this referenced section of law will be part of the realignment superstructure.</p> <p>(e) Minor cleanup</p> <p>(f) (g) and (h) deleted in their entirety as they are outdated references to the process for implementing the mental health managed care program. Deletes references to county matching funds. Provides that if fines are imposed on the counties, funds may also be withheld from funds distributed to the counties.</p>
<p>Section 14714 (Renumbered from Section 5777)</p>	<p>(a)(1) Removes language referring to county expenditures (over or under) for the mental health plan contract; realignment nullifies this need. (a)(2) and (a)(3) have minor cleanup only.</p> <p>(b)(1) Minor cleanup.</p> <p>(b)(2) Specifies that if an MHP contract is not renewed, the Department shall work with the Department of Finance and the Controller to sequester funds. References other section of law that describes how this will occur; this referenced section of law will be part of the realignment superstructure.</p> <p>(c)(1) Provides for the Department and the MHP to determine when a contract amendment is necessary.</p> <p>(c)(2) Adds language to clarify that the MHP is required to comply with federal and state requirements including the applicable sections of the state plan and waiver.</p> <p>(c)(3) Removes language regarding opening contract negotiations for State General Fund purposes.</p> <p>(d) (e) and (f) have minor cleanup only</p> <p>(g) Adds language that Department shall ensure MHP compliance with data and reporting requirements. Also removes outdated language regarding external quality reviews.</p> <p>(h) No change</p> <p>(i) Clarifies that the Department shall approve a new mental health plan if a county chooses to discontinue operations as the mental health plan.</p>
<p>Section 14718 (Renumbered from Section 5778)</p>	<p>(a) Updates language to reflect current reimbursement systems</p> <p>(b) up to and including (b)(3)(D) In addition to minor cleanup, adds language to clarify that provisions relate to services provided under the State Plan and SMHS waiver. Removes outdated references to claims reimbursement; capitated field tests; transfer of funding; transfer of services from Medi-Cal managed care plans to MHPs; and financial responsibility associated with audit exceptions. Updates language for the Department to offset payments for audit exceptions, disallowances or overpayments. Requires DHCS to notify the MHP of an overpayment prior to an offset. Retains current language that any offsets from FFP payments shall be a maximum of 25 percent to the extent that DHCS is able to comply with federal requirements to repay FFP within a one year period.</p>

Authority/Citation/Description (all sections listed are from the Welfare and Institutions Code)	Change
	<p>(b)(4)(B) Changes due date of "end of 2008-09 fiscal year" to end of 2013-14 for a rulemaking package for MHP and MHP subcontractor appeals regarding claims and offsets</p> <p>(b)(5) through (b)(6)(B) Minor updates only</p> <p>(b)(7) Adds language that to receive federal financial participation, the mental health plan shall certify its public expenditures for specialty mental health services to DHCS. Removes reference to state matching funds being in the Department of Mental Health's annual budget.</p> <p>"Former (c) through (c)(2)" Deletes outdated language regarding managed mental health care funding allocations.</p> <p>(b)(9) Adds language to allow the Department to request the Controller to offset the distribution of funds to the counties from the Mental Health Subaccount, the Mental Health Equity Subaccount, the Vehicle License Collection Account, the Mental Health Account or the Behavioral Health Account for the non-federal share for fee-for-service inpatient psychiatric hospital services. Deletes outdated language referencing potential requirement that MH providers must submit claims to the Department's Fiscal Intermediary.</p> <p>Removes state administration of funds set aside for small county risk pool.</p> <p>Removes formulas for allocating state funds transferred for acute inpatient hospital services and other specialty mental health services</p> <p>(c) Amends current language requiring the department to confer with CMHDA in February and November to review the methodology to forecast EPSDT expenditures for purposes of determining an estimate for GF and FFP. The revised language keeps the conferencing with CMHDA but for all specialty mental health services (children and adults) and for purposes of developing an estimate for reimbursement of FFP.</p>
Section 5778.3	This section, which referenced the Controller's authority to borrow from the Mental Health Managed Care Deposit Fund for loans to the State General Fund, is deleted in its entirety.
Section 14021.4	Removes references to Short Doyle and county matching funds. There are also updates to remove references to processes associated with a State Plan Amendment, due January 15, 1991; however, this also retains language regarding the spirit and intent of the original statute, which sought to expand services and federal reimbursement under the rehabilitative services option.
Section 14640	This section is deleted. The funding is specific to Sacramento county and will no longer exist under realignment.
Section 14685	Minor update and retains the counties' right of first refusal.
Section X.	States that Section 14685 (county right of first refusal) is repealed on November 7, 2012, if Section 36 has been added to Article XIII of the California Constitution as of that date