

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency (CalHHS) oversees departments and state entities that provide health and social services to the most vulnerable and at-risk Californians while providing public health services to all Californians. The Governor's Budget includes \$253.4 billion (\$73.9 billion General Fund) for all health and human services programs in 2024-25.

In recent Budget Acts, unprecedented investments have been made to improve the lives of all Californians, with a focus on the state's most vulnerable communities. This included significant investments to expand access to health care and improve the delivery system, address homelessness and strengthen the behavioral health continuum, support the expansion of subsidized child care slots, implement the Master Plan for Aging, expand the health and human services workforce, and build up the state's public health infrastructure. Despite the decline in General Fund revenues, this Budget proposes a balanced approach to maintain many of the investments made in recent years.

RECENT SIGNIFICANT INVESTMENTS AND ACTIONS

- **Expanding Medi-Cal to All Income-Eligible Californians**—The Budget maintains \$1.4 billion (\$1.2 billion General Fund) in 2023-24, \$3.4 billion (\$2.9 billion General Fund) in 2024-25, and approximately \$3.7 billion (\$3.2 billion General Fund) ongoing, inclusive of In-Home Supportive Services (IHSS) costs, to expand full-scope Medi-Cal eligibility to income-eligible adults aged 26 to 49 regardless of immigration status as

of January 1, 2024. With this expansion, Medi-Cal will be available to all income-eligible Californians.

- **Behavioral Health Continuum**—The Budget maintains over \$8 billion total funds across various Health and Human Services departments to expand the continuum of behavioral health treatment and infrastructure capacity and transform the system for providing behavioral health services to children and youth.
- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration**—The Budget maintains \$7.6 billion (\$350.4 million General Fund, \$87.5 million Mental Health Services Fund, \$2.6 billion Medi-Cal County Behavioral Health Fund, and \$4.6 billion federal funds) through the term of the waiver, for the Department of Health Care Services (DHCS) and the Department of Social Services (DSS) to implement the BH-CONNECT Demonstration, effective January 1, 2025.
- **California Advancing and Innovating Medi-Cal (CalAIM)**—The Budget maintains approximately \$2.4 billion (\$811.1 million General Fund) in 2024-25 to continue transforming the health care delivery system through CalAIM at DHCS. The Budget also maintains \$24.7 million (\$8.6 million General Fund) in 2025-26 increasing to \$197.9 million (\$69.3 million General Fund) at full implementation to allow up to six months of rent or temporary housing to eligible individuals experiencing homelessness or at risk of homelessness transitioning out of institutional care, a correctional facility, the child welfare system, or other transitional housing settings. Counties will also have the option to implement this benefit as part of the BH-CONNECT Demonstration.
- **Child Care and Development**—A multiyear plan was initiated as part of the 2021 Budget Act to expand access to subsidized child care slots. The Budget maintains this commitment, and includes \$2.1 billion for the DSS to fund roughly 146,000 new subsidized child care slots expected to be filled by 2024-25, working towards the goal of creating over 200,000 new slots by 2026-27.
- **Developmental Services Provider Rate Reform**—The Budget maintains approximately \$1.7 billion (\$1 billion General Fund) in 2024-25 for the Department of Developmental Services (DDS) to support the ongoing implementation of service provider rate reform for developmental services. Resources in 2024-25 preserve recent rate adjustments and continue the development of a quality incentives program focused on improving outcomes for individuals served through the system. The Budget returns implementation to the original 2025-26 timeline.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by DHCS. Medi-Cal is a public health care program that provides comprehensive health care services at no or low cost for low-income individuals. The federal government mandates that a range of basic services be included in the program and the state provides additional optional benefits. The Department also oversees county-operated community mental health and substance use disorder programs, California Children's Services, and the Primary and Rural Health Programs. The Medi-Cal budget includes \$157.5 billion (\$37.3 billion General Fund) in 2023-24 and \$156.6 billion (\$35.9 billion General Fund) in 2024-25. Medi-Cal is projected to cover approximately 14.8 million Californians in 2023-24 and 13.8 million in 2024-25—more than one-third of the state's population.

MANAGED CARE ORGANIZATION TAX

In December 2023, the federal government approved California's Managed Care Organization Provider Tax (MCO Tax), effective April 1, 2023, through December 31, 2026. Given the projected \$37.9 billion budget shortfall, the Administration is seeking early action by the Legislature to request the federal government approve an amendment to increase the tax to achieve \$20.9 billion in total funding to the state, an increase of \$1.5 billion compared to the approved MCO Tax. The Budget proposes \$12.9 billion to support the Medi-Cal program and maintain a balanced budget, and \$8 billion for targeted rate increases and investments from this MCO Tax. As proposed, the MCO Tax helps maintain existing services in the Medi-Cal program and minimizes the need for reductions in the program. The Budget proposes \$2.8 billion (\$1.2 billion Medi-Cal Provider Payment Reserve Fund) in 2024-25 and approximately \$6.5 billion (\$2.7 billion Medi-Cal Provider Payment Reserve Fund) in 2025-26 for targeted rate increases and investments consistent with the 2023 Budget Act, of which \$727 million (\$291 million Medi-Cal Provider Payment Reserve Fund) annually is for Medi-Cal provider rate increases effective January 1, 2024.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Home-and Community-Based Services Waiver Slot Increases**—The Budget proposes to increase slots for the Assisted Living Waiver and the Home and Community-Based Alternatives Waiver, resulting in \$10.8 million net General Fund savings in 2024-25 related to these slot expansions.

- **Children and Youth Behavioral Health Initiative Wellness Coaches**—The Budget includes \$9.5 million (\$4.1 million General Fund) in 2024-25 increasing annually to \$78 million (\$33.8 million General Fund) in 2027-28 to establish the wellness coach benefit in Medi-Cal effective January 1, 2025. Wellness coaches will primarily serve children and youth and operate as part of a care team in school-linked settings and across the Medi-Cal behavioral health delivery system.
- **Reproductive Health Services Waiver**—The Budget maintains one-time \$200 million (\$100 million General Fund) in 2024-25 for the California Reproductive Health Access Demonstration Waiver to support access to reproductive health services beginning no sooner than July 1, 2024. By 2026-27, \$85 million General Fund will be offset by Designated State Health Program federal funds.
- **Medi-Cal Caseload and Eligibility Redeterminations**—Following the end of the COVID-19 public health emergency continuous coverage requirement, Medi-Cal eligibility redeterminations resumed in June 2023. The Budget assumes Medi-Cal caseload of 14.8 million in 2023-24, an increase of 583,000 individuals compared to the 2023 Budget Act. The increase is primarily due to a higher number of individuals remaining eligible for Medi-Cal after eligibility redeterminations, which results in increased costs of \$2.3 billion (\$499 million General Fund) in 2023-24 compared to the 2023 Budget Act.
- **Proposition 56**—Due to declining Proposition 56 revenues and the General Fund condition, the Budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million (\$77.1 million Proposition 56) in 2024-25. All other Proposition 56 supplemental payments remain fully funded. The Budget includes \$907.4 million (\$192.6 million General Fund) for all Proposition 56 supplemental payments, inclusive of \$465.2 million for physician services. Certain providers currently receiving Proposition 56 supplemental payments, including physician services, will receive MCO Tax rate increases.
- **2023-24 Budget Update**—The Budget reflects lower Medi-Cal expenditures of approximately \$195.6 million General Fund in 2023-24 compared to the 2023 Budget Act due to additional support from the MCO Tax and updated programmatic timelines of various behavioral health initiatives, offset by increases from a one-time retroactive state-only claiming repayment, and increased caseload costs.
- **Year-Over-Year Comparison**—The Budget projects Medi-Cal expenditures of \$35.9 billion General Fund in 2024-25, a decrease of \$1.4 billion General Fund compared to the revised 2023-24 expenditures.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Behavioral Health Continuum Infrastructure Program**—A delay of \$140.4 million General Fund from 2024-25 to 2025-26, for a total of \$380.7 million for the final round of grants in 2025-26. The Budget maintains \$300 million General Fund in 2023-24 and \$239.6 million General Fund in 2024-25.
- **Behavioral Health Bridge Housing**—Due to lower-than-projected Mental Health Services Act revenues, the Budget proposes to shift \$265 million from Mental Health Services Fund appropriated in the 2023 Budget Act to General Fund in 2024-25. In addition, the Budget delays \$235 million General Fund originally planned for 2024-25 to 2025-26. Despite the delays, the Budget maintains \$1.5 billion for this program.
- **Clinic Workforce Stabilization Payments**—A reversion of \$14.9 million in unexpended General Fund from the one-time \$70 million General Fund included in the 2022 Budget Act for the Clinic Workforce Stabilization and Retention Payment Program that was planned to be transferred to the Department of Health Care Access and Information for workforce development programs.

DEPARTMENT OF SOCIAL SERVICES

DSS serves, aids, and protects needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility, and foster independence. The Department's major programs include the California Work Opportunity and Responsibility to Kids (CalWORKs), CalFresh, In-Home Supportive Services (IHSS), Supplemental Security Income/State Supplementary Payment (SSI/SSP), Child Welfare and Adult Protective Services, Community Care Licensing, Disability Determination Services, and Child Care and Nutrition. The Budget includes \$48.6 billion (\$21.8 billion General Fund) for DSS programs in 2024-25.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The CalWORKs program, California's version of the federal Temporary Assistance for Needy Families (TANF) program, provides temporary cash assistance to low-income families with children to meet basic needs. It also provides welfare-to-work services so that families may become self-sufficient. Eligibility requirements and benefit levels are

established by the state. Counties have flexibility in program design, services, and funding to meet local needs.

The Budget assumes \$9.4 billion in total TANF expenditures (state, local, and federal funds) in 2024-25. This amount includes \$7 billion for CalWORKs program expenditures and \$2.4 billion for other programs such as Child Welfare Services, Foster Care, DDS programs, the Statewide Automated Welfare System, California Community Colleges Child Care and Education Services, Cal Grants, and the Department of Child Support Services. The average monthly CalWORKs caseload is estimated to be 354,117 families in 2024-25.

SIGNIFICANT BUDGET UPDATES

- **Work Participation Rate Pilot**—The federal Fiscal Responsibility Act of 2023 allows up to five states to participate in a pilot to promote accountability and test alternative benchmarks for work and family outcomes in lieu of the Work Participation Rate. California plans to pursue this opportunity to reform the accountability tools in the CalWORKs program to improve outcomes for families.
- **Projected CalWORKs Grant Increase**—An approximate 0.8-percent increase to CalWORKs Maximum Aid Payment levels, with an estimated cost of \$26.7 million, is projected to begin October 1, 2024. A determination and update of the projected grant increase will be made at the May Revision. These projected increased costs would be funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund and would be in addition to the 3.6-percent statutory increase in 2023-24.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Single Allocation**—A reversion of \$336 million General Fund from 2022-23 that is projected to be unexpended in the CalWORKs Single Allocation. The Budget also reflects a reversion of \$40.8 million General Fund in 2023-24 and reduction of \$40.8 million General Fund in 2024-25 and ongoing which was previously approved as part of an ongoing augmentation for this program.
- **Family Stabilization**—A reversion of \$55 million General Fund in 2023-24 and a reduction of \$71 million General Fund beginning in 2024-25 and ongoing.

- **Employment Services Intensive Case Management**—A reduction of \$47 million General Fund beginning in 2024-25 and ongoing.
- **Expanded Subsidized Employment**—A reversion of \$134.1 million General Fund in 2023-24 and a reduction of \$134.1 million General Fund in 2024-25 and ongoing.

IN-HOME SUPPORTIVE SERVICES

The IHSS program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities, including children and adults, as well as low-income individuals who are ages 65 and over. These services are provided to assist individuals to remain safely in their homes and prevent more costly institutionalization.

The Budget includes \$24.3 billion (\$9 billion General Fund) for the IHSS program in 2024-25. Average monthly caseload in this program is estimated to be 691,075 recipients in 2024-25. The Budget maintains investments in provider wage increases, a permanent provider back-up system, and the full-scope Medi-Cal expansion to IHSS undocumented recipients of all ages including the recent expansion for ages 26 to 49, as of January 1, 2024.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT

The federal SSI program provides a monthly cash benefit to individuals with disabilities, including children and adults, and individuals who are ages 65 and over who meet the program's income and resource requirements. In California, the SSI payment is augmented with an SSP grant. These cash grants help recipients meet their basic needs and living expenses. The federal Social Security Administration administers the SSI/SSP program, making eligibility determinations, computing grants, and issuing combined monthly checks to recipients. The state-only Cash Assistance Program for Immigrants (CAPI) provides monthly cash benefits to low-income individuals with disabilities, including children and adults, as well as adults aged 65 and older who are ineligible for SSI/SSP due solely to their immigration status.

The Budget includes \$3.7 billion General Fund in 2024-25 for the SSI/SSP program, including CAPI. The average monthly caseload in this program is estimated to be 1.1 million recipients in 2024-25. The Budget also includes a 3.2-percent federal SSI cost-of-living adjustment and maintains the 9.2-percent SSP increase, which took effect on January 1, 2024. These adjustments raise the maximum SSI/SSP grant levels to

\$1,183 per month for individuals and \$2,023 per month for couples. CAPI benefits are equivalent to SSI/SSP benefits and have residency and income eligibility requirements.

CHILDREN'S PROGRAMS

Child Welfare Services include family support and maltreatment prevention services, child protective services, foster care services, and adoptions. California's child welfare system provides a continuum of services to children who are either at risk of or have suffered abuse and neglect. Program success is measured in terms of improving the safety, permanence, and well-being of children and families served. The Budget includes \$690.3 million General Fund in 2024-25 for services to children and families in these programs. When federal and 1991 and 2011 Realignment funds are included, total funding for children's programs is in excess of \$9.4 billion in 2024-25.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Child Welfare Services-California Automated Response and Engagement System (CWS-CARES) Project**—The Budget includes \$173.4 million (\$88.1 million General Fund) in 2024-25 to support continued project development and implementation costs, and an additional \$52 million (\$26 million General Fund) in one-time provisional authority, of the CWS-CARES project. The CWS-CARES will replace the existing case management system to benefit state, local and tribal child welfare agencies and will align with state and federal requirements.
- **Foster Care Rate Reform**—The Budget includes \$12 million General Fund in 2024-25 to make automation changes for a reformed foster care payment structure, with full implementation anticipated as early as 2026-27. The new rate system for foster care placements will focus on the child's individual level of needs and strengths, rather than the placement type.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Family Urgent Response System**—A reduction of \$30 million in 2024-25 and ongoing.
- **Los Angeles County Child Welfare Services Public Health Nursing Program**—A reduction of \$8.3 million in 2024-25 and ongoing.

- **Housing Supplement for Foster Youth in Supervised Independent Living Placements**—A reduction of \$195,000 in 2024-25 and \$25.5 million (\$18.8 million General Fund) in 2025-26 and ongoing.

CHILD CARE AND DEVELOPMENT

DSS administers child care and development programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; Alternative Payment Programs; Migrant Child Care; General Child Care; Child Care for Children with Severe Disabilities; and a variety of local supports for these programs, such as Resource and Referral and Local Child Care Planning Councils, in addition to quality improvement projects. Families can access child care subsidies through centers that contract directly with DSS, local educational agencies, or vouchers from county welfare departments and Alternative Payment Programs. The Budget includes \$6.6 billion (\$4.6 billion General Fund) for child care and development programs.

The Budget maintains funding to implement the current memorandum of understanding between the state and Child Care Providers United – California and the parity provisions for non-represented providers pursuant to Chapter 193, Statutes of 2023 (SB 140) (\$723.8 million General Fund). The agreement and SB 140 also outline the continued work towards a single rate structure and an alternative methodology for estimating the costs of care. In accordance with the agreement and SB 140, by July 2024, the State of California will submit a state plan to the federal Administration for Children and Families for approval of an alternative methodology.

MIGRATION AND BORDER COMMUNITIES

For several years, California has funded humanitarian services for migrants released from short-term federal custody in the Southern border region, including a \$150 million one-time investment in 2023-24. California cannot maintain its efforts without federal support and has continued to advocate to Congress to provide federal funding to local communities that are receiving new arrivals. In the coming months, the Administration will continue to assess operational needs in these humanitarian efforts for possible consideration in the May Revision.

OTHER DEPARTMENT OF SOCIAL SERVICES SOLUTIONS

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Bringing Families Home Program**—The Budget delays \$80 million General Fund for the Bringing Families Home to 2025-26.
- **Home Safe Program**—The Budget delays \$65 million General Fund for the Home Safe Program to 2025-26.
- **Housing and Disability Advocacy Program**—The Budget delays \$50 million General Fund for the Housing and Disability Advocacy Program to 2025-26.
- **Temporary Protected Status Services**—The Budget reverts \$10 million General Fund in 2023-24 and makes a reduction of \$10 million General Fund in 2024-25 and ongoing. The Budget maintains existing levels of ongoing funding for Immigration Services Funding and Unaccompanied Undocumented Minors Legal Services.
- **California State University Legal Services**—The Budget reverts \$5.2 million General Fund from 2023-24 and reduces \$5.2 million General Fund in 2024-25 and ongoing. With this reduction, \$1.8 million ongoing General Fund remains in the Budget for California State University Legal Services.

DEPARTMENT OF DEVELOPMENTAL SERVICES

DDS provides individuals with intellectual and developmental disabilities a variety of services that allow them to live and work independently or in supported environments. The Budget includes \$15.3 billion (\$10 billion General Fund) and estimates that approximately 458,000 individuals will receive services in 2024-25.

Over the next year, DDS will develop a Master Plan for Developmental Services to establish a more quality-driven and consumer-friendly experience for individuals and families receiving developmental services. DDS will also convene a workgroup of key stakeholders to inform the development of the Plan, specifically focusing on a program management system, that will be used to collect and analyze data and make recommendations that emphasize quality, equity, and outcomes, while improving regional center accountability.

This Master Plan will outline shared goals of developing a system that is person-centered, equity-focused, and data-driven while maximizing the effectiveness of recent investments to improve outcomes for consumers.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Service Provider Rate Reform**—Returns full implementation of service provider rate reform to the original timeline of July 1, 2025, while maintaining focus on improving outcomes and quality of services through the Quality Incentive Program.
- **Preschool Inclusion Grants**—A delay of \$10 million General Fund annually from the Preschool Inclusion Grant program until 2026-27.

VARIOUS HEALTH AND HUMAN SERVICES SOLUTIONS

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget proposes General Fund solutions to achieve a balanced budget. These include:

- **Safety Net Reserve Withdrawal**—\$900 million in Safety Net Reserve to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs.
- **Healthcare Workforce**—A delay of \$140.1 million General Fund to 2025-26 for the nursing and social work initiatives administered by the Department of Health Care Access and Information. Given lower-than-projected Mental Health Services Act revenue, the Budget also delays \$189.4 million Mental Health Services Fund to 2025-26 for the social work initiative, addiction psychiatry fellowships, university and college grants for behavioral health professionals, expanding Master of Social Work slots, and the local psychiatry behavioral health program. Despite the delays, the Budget maintains \$974.4 million (General Fund and Mental Health Services Fund) for these initiatives; however, the funds will go out later than originally planned.
- **Health and Human Services Innovation Accelerator Initiative**—A delay of \$74 million General Fund until 2025-26 and 2026-27 for the Health and Human Services Innovation Accelerator Initiative.

- **Specialty Dental Clinic Grant Program**—A delay of \$48.8 million General Fund to 2025-26 for the Specialty Dental Clinic Grant program at the California Health Facilities Financing Authority.
- **Healthier at Home Pilot**—A reversion of \$11.9 million General Fund for the Healthier at Home Pilot program at the California Department of Aging.
- **AIDS Drug Assistance Program Rebate Fund**—A budgetary loan of \$500 million from the AIDS Drug Assistance Program Rebate Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.
- **Department of Health Care Access and Information Special Funds**—Budgetary loans of \$50 million from the Hospital Building Fund, \$11 million from California Health Data and Planning Fund, \$3 million from the Registered Nurse Education Fund, \$1 million each from the Vocational Nurse Education Fund and the Mental Health Practitioner Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.
- **Managed Care Fund**—\$22.9 million budgetary loan from the Managed Care Fund to the General Fund from resources not currently projected to be used for operational or programmatic purposes.