

HEALTH AND HUMAN SERVICES

The Health and Human Services Agency oversees departments and other state entities that provide health and social services to California's vulnerable and at-risk residents. The Budget includes total funding of \$260.8 billion (\$71.6 billion General Fund and \$189.1 billion other funds) for all programs overseen by this Agency.

DEPARTMENT OF HEALTH CARE SERVICES

Medi-Cal, California's Medicaid program, is administered by the Department of Health Care Services (DHCS). Medi-Cal is a public health care coverage program that provides comprehensive health care services at no or low cost for low-income individuals. The Department also administers programs for special populations and several other non-Medi-Cal programs as well as county-operated community mental health and substance use disorder programs. The Medi-Cal Budget includes \$161 billion (\$35 billion General Fund) in 2024-25. Medi-Cal is projected to cover approximately 14.5 million individuals in 2024-25—more than one-third of the state's population.

MANAGED CARE ORGANIZATION (MCO) TAX AND TARGETED RATE INCREASES

The Budget includes \$133 million in 2024-25, \$728 million in 2025-26, and \$1.2 billion in 2026-27 for new targeted Medi-Cal provider rate increases and investments from the MCO Tax. Rate increases and investments include physician services, emergency

department physician services, abortion and family planning, services and supports for clinics, ground emergency transportation, air ambulances, community-based adult services, congregate living health facilities, clinic services and supports, community health workers, pediatric day health centers, private duty nursing, non-emergency medical transportation, and continuous Medi-Cal coverage for children until the age of five. Some new rate increases will be effective January 1, 2025, and others January 1, 2026. Additionally, \$40 million one-time is allocated in 2026-27 to strengthen and support the development and retention of the Medi-Cal workforce. These increases are in addition to the approximately \$300 million that became effective January 1, 2024. If the MCO Tax initiative on the November 2024 ballot is approved by the voters, the 2024 Budget Act MCO Tax package becomes inoperable, since both cannot be fiscally sustained.

The Budget reflects increased MCO Tax of \$5.1 billion in 2024-25, \$4.6 billion in 2025-26, and \$4.0 billion in 2026-27 to support the Medi-Cal program compared to the 2023 Budget Act, including the Early Action and Medicare revenue amendments to increase the MCO Tax. In total, the MCO Tax helps maintain existing services in the Medi-Cal program with \$6.9 billion in 2024-25, \$6.6 billion in 2025-26, and \$5.0 billion in 2026-27 in MCO Tax funding provided for this purpose.

In recent years, Proposition 56 revenues have not been sufficient to fully cover the cost of Proposition 56-funded provider payments due to continued revenue decline. The Budget reduces Proposition 56 funding for physician services supplemental payments by \$193.4 million (\$77.1 million Proposition 56) in 2024-25 and includes \$145.4 million one-time from the MCO Tax to support the Medi-Cal family planning, women's health, and physician services supplemental payments in 2024-25. The Administration will work with the Legislature to develop a plan for these Proposition 56 provider payments in future years.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Full-Scope Medi-Cal for Adults Aged 26 through 49**—\$3.3 billion (\$2.8 billion General Fund) in 2024-25 and approximately \$3.4 billion (\$2.9 billion General Fund) ongoing, inclusive of In-Home Supportive Services (IHSS) costs, for 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 provides health care coverage to all income-eligible Californians.
- **Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT) Demonstration**—\$7.7 billion (\$351.5 million General Fund,

\$87.5 million Behavioral 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 and the Department of Social Services to implement the BH-CONNECT Demonstration, effective January 1, 2025.

- **Children’s Hospital Directed Payments**—\$230 million (\$115 million General Fund) to provide annual directed payments to California children’s hospitals to support medical care for critically ill children and those fighting the most serious and life-threatening diseases.
- **Children and Youth Behavioral Health Initiative Wellness Coaches**—\$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.
- **Home and Community-Based Services Waiver Slot Increases**—The Budget increases 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.

ADDRESSING THE BUDGET PROBLEM

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

- **Behavioral Health Continuum Infrastructure Program**—A reversion of \$450.7 million General Fund one-time from the last round of the Behavioral Health Continuum Infrastructure Program, which leaves \$1.75 billion (\$1.2 billion General Fund) to support existing projects.
- **Behavioral Health Bridge Housing**—A net reduction of \$250 million in total funding, maintaining \$1.25 billion (\$1.2 billion General Fund) for this program. The Budget includes \$132.5 million General Fund in 2024-25 and \$117.5 million (\$27.5 million General Fund, \$90 million Behavioral Health Services Fund) in 2025-26 for the last round of grants.
- **Equity and Practice Transformation Payments to Providers**—A reduction of \$280 million one-time over multiple years for grants to Medi-Cal providers for primary

care infrastructure, which leaves \$140 million (\$70 million General Fund) one-time included in the 2022 Budget Act.

- **Major Risk Medical Insurance Program**—The Budget sunsets the Major Risk Medical Insurance Program effective December 31, 2024, transitioning individuals currently enrolled to other health care coverage options and shifts \$78.9 million General Fund costs in 2024-25 to the Health Care Services Plan Fines and Penalties Fund to support health care services in the Medi-Cal program.

DEPARTMENT OF SOCIAL SERVICES

The 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.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS

The California Work Opportunity and Responsibility to Kids (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.

The Budget includes \$8.8 billion in total TANF expenditures (state, local, and federal funds) in 2024-25. The average monthly CalWORKs caseload is estimated to be 354,772 families in 2024-25.

SIGNIFICANT BUDGET ADJUSTMENTS

- **CalWORKs Grant Increase**—An increase of \$10.5 million to support a 0.3-percent increase to the CalWORKs Maximum Aid Payment level beginning October 1, 2024. This grant increase is funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the 1991 Local Revenue Fund.
- **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. The Budget includes provisional language to increase DSS's budget for state operations and by up to \$2.4 million for automation costs if California is selected to participate in the pilot.

ADDRESSING THE BUDGET PROBLEM

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

- **CalWORKs Employment Services Intensive Case Management**—A reduction of \$47 million General Fund in 2024-25 and ongoing for CalWORKs employment services intensive case management.
- **CalWORKs Expanded Subsidized Employment**—A reversion of \$30 million General Fund in 2023-24 and reduction of \$37 million General Fund in 2024-25 for CalWORKs Expanded Subsidized Employment. The Budget continues to provide \$97.1 million for this purpose.
- **CalWORKs Mental Health and Substance Abuse Services**—A reversion of \$30 million General Fund in 2023-24, and reduction of \$37 million General Fund in 2024-25 and \$26 million General Fund in 2025-26 for CalWORKs mental health and substance abuse services. The Budget continues to provide \$89 million for this purpose.
- **CalWORKs Home Visiting Program**—A reversion of \$30 million General Fund in 2023-24, and reduction of \$25 million General Fund in 2024-25 and 2025-26 for the CalWORKs Home Visiting program. The Budget continues to provide \$74.3 million for this purpose.

FOOD AND NUTRITION

The CalFresh program, California's version of the federal Supplemental Nutrition Assistance Program (SNAP), provides federally funded benefits for eligible families to purchase food needed to maintain adequate nutrition.

The California Food Assistance Program (CFAP) provides state-funded food benefits to eligible noncitizens who meet all CalFresh eligibility criteria. Eligible noncitizens include lawfully present noncitizens in the country less than five years, over the age of 18 and under the age of 59.

The Budget includes \$4.9 billion in total CalFresh and nutrition expenditures. In addition, \$12.3 billion in food benefits is provided directly to recipients by the federal government. The average monthly CalFresh caseload is estimated to be 3,089,948 households in 2024-25.

SIGNIFICANT BUDGET ADJUSTMENTS

- **SUN Bucks**—SUN Bucks, formerly known as Summer EBT, provides \$120 per child (\$40 per month for June, July, and August) in federally funded food benefits to children who lose access to free and reduced-price meals during the summer school closure period. The Budget includes \$146.8 million (\$73.4 million General Fund) in 2024-25 for outreach, automation, and administration to allow California to provide an estimated \$1 billion in federal food assistance to children.
- **CalFresh Fruit and Vegetable EBT Pilot**—An increase of \$10 million one-time General Fund in 2024-25 for the continuation of the CalFresh Fruit and Vegetable EBT Pilot Project.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **California Food Assistance Program Expansion**—The Budget delays implementation of the CFAP expansion to adults 55 and over regardless of immigration status, from October 1, 2025, to October 1, 2027.

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.

The Budget includes \$9.8 billion (\$900.6 million General Fund) in 2024-25 for services to children and families in these programs.

The 2024-25 Budget also establishes a permanent foster care rate structure, called the Tiered Rate Structure, anticipated to begin implementation July 1, 2027. Once implemented, the Tiered Rate Structure will provide funding to support strength building and to address a child or youth's immediate needs.

SIGNIFICANT BUDGET ADJUSTMENT

- **Foster Care Rate Structure Automation**—An increase of \$6.9 million (\$4.4 million General Fund) in 2024-25 and \$13.7 million (\$9 million General Fund) in 2025-26 to begin automation for the foster care Tiered Rate Structure in the California Statewide Automated Welfare System and the Child Welfare Services – California Automated Response and Engagement System.

ADDRESSING THE BUDGET PROBLEM

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

- **Los Angeles County Child Welfare Services Public Health Nursing Program**—A reversion of \$7.3 million General Fund in 2023-24 and a reduction of \$8.3 million General Fund in 2024-25 and ongoing for the Los Angeles County Child Welfare Services Public Health Nursing Program.
- **Housing Supplement for Foster Youth in Supervised Independent Living Placements**—A reduction of \$200,000 General Fund in 2024-25 and \$18.8 million General Fund in 2025-26 and ongoing for the housing supplement for foster youth in Supervised Independent Living Placements (SILP). Once implemented, the Tiered Rate Structure will result in increases to the SILP reimbursement.
- **Bringing Families Home**—A delay of \$40 million General Fund to 2025-26 and another \$40 million General Fund to 2026-27 for the Bringing Families Home Program.

IN-HOME SUPPORTIVE SERVICES

The In-Home Supportive Services (IHSS) program provides domestic and related services such as housework, meal preparation, and personal care services to eligible low-income individuals with disabilities regardless of immigration status, 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 \$25 billion (\$9 billion General Fund) for the IHSS program in 2024-25. Average monthly caseload in this program is estimated to be 703,921 recipients in 2024-25.

SIGNIFICANT BUDGET ADJUSTMENT

- **IHSS County Administration Budgeting Methodology Review**—An increase of \$394,000 (\$197,000 General Fund) in 2024-25 and \$382,000 (\$191,000 General Fund) ongoing for 2 positions to enable DSS to complete the review of the IHSS county administration budgeting methodology in 2025-26 and every third fiscal year thereafter.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **In-Home Supportive Services Permanent Backup Provider System**—A reduction of \$3 million one-time General Fund in 2024-25 to the In-Home Supportive Services Permanent Backup Provider System.

CHILD CARE AND DEVELOPMENT

DSS administers child care programs including CalWORKs Stages One, Two, and Three; the Emergency Child Care Bridge Program; California Alternative Payment Program; Migrant Child Care; General Child Care; Child Care for Children with Disabilities; and a variety of local supports for these programs, such as Resource and Referral Programs and Local Child Care Planning Councils, in addition to quality improvement projects and the Child and Adult Care Food Program. 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 \$6.1 billion (\$3.8 billion) General Fund for child care programs.

SIGNIFICANT BUDGET ADJUSTMENT

- **Child Care Slot Expansion**—An increase of \$228.6 million (\$117.4 million General Fund) in 2024-25 and \$304.8 million (\$260.8 million General Fund) in 2025-26 and ongoing for an estimated 11,000 new state-subsidized, center-based child care slots beginning October 1, 2024.

ADDRESSING THE BUDGET PROBLEM

To address the projected budget shortfall, the Budget includes General Fund solutions to achieve a balanced budget. This includes:

- **Child Care Slot Expansion Delay**—The Budget delays child care slot expansion two years, expressing legislative intent to award an additional 44,000 slots in 2026-27 and 33,000 slots in 2027-28, and specifies that after two years, funding for additional expansion slots are subject to appropriation in the annual budget.

OTHER SIGNIFICANT BUDGET ADJUSTMENTS

- **Diaper Banks**—An increase of \$9 million one-time General Fund for diaper and wipe distribution to low-income families with infants and toddlers.
- **Guaranteed Income Pilot Program for Seniors**—An increase of \$5 million one-time General Fund for the Guaranteed Income Pilot Program to provide grant funding for eligible entities serving adults 60 years of age or older residing in California and either eligible for or receiving a means-tested benefit.
- **Rapid Response**—The Budget reappropriates the unspent balance of the \$150 million General Fund appropriated in 2023-24 to continue to support the southern border humanitarian efforts. This is in addition to the \$79.4 million General Fund reappropriated in Chapter 9, Statutes of 2024 (AB 106), available to support current border respite sheltering services for migrants through 2025-26.
- **Housing and Disability Advocacy Program**—A reversion of \$50 million General Fund for the Housing and Disability Advocacy Program in 2025-26, and a reappropriation of up to \$100 million General Fund to be available through 2025-26.

DEPARTMENT OF DEVELOPMENTAL SERVICES

The Department of Developmental Services (DDS) provides a variety of services to individuals with developmental disabilities that allow them to live and work independently or in supported environments. California is the only state that provides developmental services as an individual entitlement.

The Budget includes \$15.9 billion (\$10.3 billion General Fund) and estimates that approximately 465,000 individuals will receive services in 2024-25.

SIGNIFICANT BUDGET ADJUSTMENTS

- **Reimbursement System Project**—An increase of \$8.3 million General Fund in 2024-25 (inclusive of \$5 million reappropriated from the 2021 Budget Act), \$2.4 million in 2025-26, and \$1.8 million in 2026-27 and ongoing to support information technology for the department's federal claims system.
- **Uniform Fiscal System Modernization and Consumer Electronic Records Management System Projects**—An increase of \$6.4 million (\$1 million General Fund) for continued project planning efforts supporting fiscal system and electronic records projects.

ADDRESSING THE BUDGET PROBLEM

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

- **Service Provider Rate Reform**—A reduction of \$510.4 million (\$306.2 million General Fund) to delay the next step in service provider rate reform by six months from July 1, 2024, to January 1, 2025. This action includes a conforming General Fund reduction of \$777,000 General Fund for Department of Rehabilitation job coaching rates. The Budget maintains approximately \$2.2 billion (\$1.3 billion General Fund) in 2024-25 to support ongoing implementation of rate reform.
- **Direct Service Professional Internship Program**—A reversion of \$20 million General Fund from unspent direct service professional internship funding.
- **Regional Center Staff Tuition Reimbursements**—A reversion of \$18.6 million General Fund from uncommitted regional center staff tuition reimbursement funds.
- **Direct Service Professional Training Stipends**—A reversion of \$10 million General Fund in unspent direct service professional training stipends.

DEPARTMENT OF PUBLIC HEALTH

The Department of Public Health is charged with protecting and promoting the health and well-being of the people of California through health quality, health emergency response, and population health programs. The Budget includes \$5.1 billion (\$787.3 million General Fund) in 2024-25.

SIGNIFICANT ADJUSTMENT

- **AIDS Drug Assistance Program (ADAP) Program Enhancements**—\$23 million in 2024-25, \$38.8 million in 2025-26, \$50.8 million in 2026-27, and \$35.8 million in 2027-28 and ongoing from the ADAP Rebate Fund to expand program eligibility, increase premium payments, modify the formulary, and authorize funding for various enhancements to help reduce the transmission of HIV/AIDS. The California Department of Public Health will develop an expenditure plan, in consultation with stakeholders, and submit the plan with the 2025-26 Governor's Budget for consideration.

ADDRESSING THE BUDGET PROBLEM

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

- **Public Health Funding**—A reversion of \$41.5 million General Fund in 2023-24 and a reduction of \$23.9 million General Fund in 2024-25 and ongoing, which aligns with state 7.95-percent efficiency reductions. The Budget maintains \$276.1 million General Fund in 2024-25 and ongoing for state and local public health infrastructure.
- **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.
- **Various Special Fund Loans**—A budgetary loan of \$140 million from multiple special funds to the General Fund from resources not currently projected to be used for operational or programmatic purposes.

OTHER HEALTH AND HUMAN SERVICES

SIGNIFICANT ADJUSTMENTS

- **Behavioral Health Reform**—\$202.6 million (\$77.9 million General Fund, \$29.3 million Behavioral Health Services Fund, \$31.6 million Opioid Settlements Fund, and \$63.8 million federal funds) in 2024-25 for the Department of Health Care Services, the Department of Health Care Access and Information, and the Mental Health Services Oversight and Accountability Commission to begin implementation of Proposition 1, which was approved by the voters in March 2024, and accompanying

legislation in Chapter 790, Statutes of 2023 (SB 326). Of this funding, \$85 million (\$50 million General Fund) is for county behavioral health departments. Proposition 1 and accompanying legislation reform the Mental Health Services Act (renamed the Behavioral Health Services Act), specifically reallocating the state-directed and county allocations to provide services to those with the most serious illness; treating substance use disorders; and expanding workforce, innovation, housing interventions, full-service partnerships programs, and behavioral health services and supports.

- **Behavioral Health Infrastructure Bond Act**—\$6.4 billion in bonds pursuant to the Behavioral Health Infrastructure Bond Act (Proposition 1) for the Department of Health Care Services and the Department of Housing and Community Development to support new behavioral health treatment beds, outpatient capacity, and permanent supportive housing units for Californians with behavioral health needs, including veterans.
- **Health Care Coverage for Striking Workers**—The Budget allows for an augmentation of up to \$3 million to the existing \$2 million Health Care Affordability Reserve Fund to provide health care coverage for striking workers pursuant to Chapter 695, Statutes of 2022 (AB 2530).

ADDRESSING THE BUDGET PROBLEM

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

- **Safety Net Reserve Withdrawal**—The Budget withdraws \$900 million from the Safety Net Reserve to maintain program benefits and services for the Medi-Cal and CalWORKs programs.
- **Health Care Workforce**—A reduction of \$746.1 million General Fund over five years—\$200.6 million in 2023-24, \$299.9 million in 2024-25, \$213.6 million in 2025-26, \$16 million in 2026-27 and ongoing—for various workforce initiatives at the Department of Health Care Access and Information. The Budget eliminates \$189.4 million Behavioral Health Services Fund planned for 2025-26. The Budget maintains \$98.4 million General Fund in committed funds for Song-Brown residencies and nursing in 2023-24, \$2.1 million General Fund in 2023-24 for work education training, and \$8.4 million from 2024-25 through 2026-27 for the California Medicine Scholars program. Additionally, the Budget maintains \$357.7 million General Fund from previous workforce investments including California Medicine Scholars, nursing,

the Children and Youth Behavioral Health Initiative, Song-Brown residencies, community health workers, addiction psychiatry fellowships, and psychiatry graduate medical education.

- **Children and Youth Behavioral Health Initiative**—A reduction of \$72.3 million General Fund in 2023-24 and \$313.9 million General Fund in 2024-25 for school-linked partnership and capacity grants for higher education institutions, services and supports platform, evidence-based and community-defined grants, and public education and change campaign. The Budget maintains \$4.1 billion across several departments to support Children and Youth Behavioral Health Initiative efforts.
- **Health Care Affordability Reserve Fund Loans**—A budgetary loan of \$62 million in 2024-25 and \$109 million in 2025-26 from resources not currently projected to be used for operational or programmatic purposes. The Budget includes annual repayments of \$200 million in 2026-27, 2027-28, and 2028-29 for a previously authorized \$600 million loan to the General Fund.

HEALTH CARE WORKER MINIMUM WAGE

The Budget includes a trigger to implement the health care worker minimum wage increases pursuant to Chapter 890, Statutes of 2023 and Chapter 12, Statutes of 2024 (SB 525 and SB 828), statutory changes to exempt state facilities and other implementation clarifications. The minimum wage increases would be effective either October 15, 2024 if agency cash receipts for the first quarter of 2024-25 are at least 3 percent higher for the same time period than projected at the 2024 Budget Act, or the sooner of January 1, 2025 or 15 days after DHCS provides legislative notification that it has initiated the data retrieval to implement an increase to the Hospital Quality Assurance Fee. The Hospital Quality Assurance Fee will provide significant new revenue to hospitals and could help mitigate the costs associated with the minimum wage increases.