



The Department of State Hospital's (DSH) proposed budget for fiscal year (FY) 2023-24 totals \$3.5 billion – an increase of \$268.8 million (or 8 percent) from the 2023-24 Governor's Budget - with 5.0 proposed new positions in budget year (BY). Of the increased amount, \$257.3 million is reappropriated from prior budget acts. The proposed budget includes investments in improving the departments operations and delivery of services, and state hospital facility capital outlay project improvements.

**TOTAL State Hospitals Comparison<sup>1</sup>**  
**2023-24 Governor's Budget v. 2023-24 May Revision**  
*(Dollars in Thousands)*

<b>FUNDING SOURCE</b>	<b>2023-24 Governor's Budget</b>	<b>2023-24 May Revision</b>	<b>Difference</b>	<b>% Change</b>
State Operations	\$3,226,157	\$3,424,158	\$198,001	6%
Capital Outlay	\$3,437	\$74,234	\$70,797	2060% <sup>2</sup>
<b>TOTALS</b>	<b>\$3,229,594</b>	<b>\$3,498,392</b>	<b>\$268,798</b>	<b>8%</b>

<sup>1</sup> Total includes non-budget act items (Medicare, Lottery, Reappropriations)

<sup>2</sup> Capital Outlay difference attributed to complete reversion of existing funds for DSH-Metropolitan Consolidation of Police Operations and DSH-Atascadero: Potable Water Booster Pump System, and re-request of funds in their entirety in BY.



**SUPPORT COMPARISON**  
**2023-24 Governor's Budget v. 2023-24 May Revision**  
*(Dollars in Thousands)*

FUNDING SOURCE	2023-24 Governor's Budget	2023-24 May Revision	Difference	% Change
<b>General Fund (0001)</b>	<b>\$3,033,294</b>	<b>\$3,258,712</b>	<b>\$225,418</b>	<b>7%</b>
<b>Lease Revenue Bond (Ref 003)</b>	<b>\$39,475</b>	<b>\$39,475</b>	<b>\$0</b>	<b>0%</b>
State Hospitals	\$39,475	\$39,475	\$0	0%
<b>Support Funds (Ref 011)</b>	<b>\$2,991,232</b>	<b>\$3,216,650</b>	<b>\$225,418</b>	<b>8%</b>
Administration	\$252,908	\$254,435	\$1,527	1%
State Hospitals	\$1,857,787	\$1,852,201	(\$5,586)	0%
CONREP	\$92,940	\$92,940	\$0	0%
Contracted Patient Services	\$749,983	\$976,960	\$226,977	30%
Evaluation & Forensic Services	\$37,614	\$40,114	\$2,500	7%
<b>Support HIPAA (Ref 017)</b>	<b>\$1,487</b>	<b>\$1,487</b>	<b>\$0</b>	<b>0%</b>
Administration	\$1,487	\$1,487	\$0	0%
<b>Non- Budget Act (Ref 502)</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$0</b>	<b>0%</b>
Medicare- State Hospital	\$1,100	\$1,100	\$0	0%
<b>Lottery Fund (0814)</b>	<b>\$19</b>	<b>\$21</b>	<b>\$2</b>	<b>11%</b>
State Hospitals	\$19	\$21	\$2	11%
<b>Federal Trust Fund (0890)</b>	<b>\$0</b>	<b>\$100</b>	<b>\$100</b>	<b>0%</b>
State Hospitals	\$0	\$100	\$100	0%
<b>Reimbursements Fund (0995, Ref 511)</b>	<b>\$192,844</b>	<b>\$165,325</b>	<b>(\$27,519)</b>	<b>-14%</b>
Administration	\$176	\$176	\$0	0%
State Hospitals	\$192,668	\$165,149	(\$27,519)	-14%
<b>TOTALS</b>	<b>\$3,226,157</b>	<b>\$3,424,158</b>	<b>\$198,001</b>	<b>6%</b>

<sup>1</sup>Total includes non-budget act items (Medicare, Lottery, Reappropriations)

**SUPPORT BUDGET**

The 2023-24 May Revision reflects a net increase of \$198 million in General Fund in FY 2023-24. The following provides specific detail of proposed budget adjustments.



**SPRING FINANCE LETTERS**

- *Extend Funding for Health Insurance Portability and Accountability Act (HIPAA) Compliance and Accounting Workload (\$615,000 in FY 2023-24)*

DSH proposes \$615,000 General Fund (GF) in FY 2023-24 to continue to support 5.0 positions to process invoices and payments from medical providers containing Protected Health Information (PHI) and ensure compliance with the Health Insurance Portability and Accountability Act (HIPAA).

- *Shift Funding for Patient Education from Reimbursements to Federal Funds (\$100,000 (FF) in FY 2023-24)*

DSH proposes to shift \$100,000 from reimbursement authority to Federal Fund (FF) authority in FY 2023-24 and ongoing for Patient Education services. This shift allows DSH to more efficiently draw down federal dollars directly instead of receiving funds passed through by the Department of Development Services (DDS) to support special education and vocational education programs at DSH.



### **ENROLLMENT, CASELOAD AND POPULATION**

DSH continues to seek solutions to address the significant demand for treatment. As of May 8, 2023, DSH has a total of 1,291 patients pending placement, of which 931 are deemed IST<sup>3</sup>. The enrollment, caseload and population estimates propose continued funding in both community-based and jail-based competency restoration treatment for ISTs, along with other adjustments related to serving patients in both the state hospitals and the Conditional Release Program (CONREP).

- *County Bed Billing Reimbursement Authority (-\$27.4 million in FY 2023-24)*

The County Bed Billing Reimbursement Authority is comprised of the Lanterman-Petris-Short (LPS) population and IST Non-Restorable (NR) and IST Maximum Term (MT) defendants which pertain to county financial responsibility. DSH projects a decrease of \$27.4 million in FY 2023-24 and ongoing due to align reimbursement authority with the current Lanterman Petris-Short (LPS) patient census.

- *DSH-Metropolitan Increase Secured Bed Capacity (-\$3.9 million in FY 2022-23)*

The DSH-Metropolitan Increased Secure Bed Capacity (ISBC) provides additional capacity to address the ongoing system-wide IST waitlist. Unit 3 was activated in November 2022, bringing the overall total units activated to three out of five. The other two units continue to be used for Skilled Nursing facility (SNF) space through July 2023. Upon revisiting the estimates provided at Governor's Budget, DSH has identified a calculation error, leading to additional reportable savings. DSH reflects an additional one-time savings of \$3.9 million in FY 2022-23 associated with personal services savings.

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<sup>3</sup> Additionally, 2066 of the 931 individuals deemed IST are receiving DSH Early Access Stabilization Services (EASS) through local county providers, reducing the total number of ISTs pending access to substantive treatment to 725.



- *Enhanced Treatment Program (ETP) (-\$3.2 million in FY 2023-24)*

The ETP was developed to treat patients who are at the highest risk of violence and cannot be safely treated in a standard treatment environment. DSH is experiencing an additional 3-month activation delay at DSH-Patton, with unit construction scheduled to be completed in March 2024 and unit activation scheduled for May 2024. DSH reflects an additional one-time savings of \$3.2 million in FY 2023-24 associated with personal services savings.

- *Mission Based Review – Court Evaluations and Reports (No position authority or dollar change)*

This staffing standard established population-driven methods for calculating staffing needs for the following forensic functions: Evaluations, Court Reports and Testimony, Forensic Case Management and Data Tracking and Neuropsychological Services (Neuropsychological Assessments and Cognitive Remediation Pilot Program). A total of 94.6 positions were allocated for all three areas. As of February 28, 2023, all positions have been established. DSH makes no request for changes to funding or position authority. DSH will conduct a Post Implementation Evaluation which will include a review of the original forensic functions. This review will reassess all methodologies and data elements used, and identify any changes in operations, forensic processes, or statutory requirements, including any impact to the forensic services workload.

- *Mission Based Review – Direct Care Nursing (-\$1.0 million in FY 2022-23)*

This staffing standard established population-driven methods for calculating staffing needs to support the workload of providing 24-hour care nursing services within DSH. A total of 335.0 positions were allocated to support the Medication Pass rooms to be phased-in over four years. As of February 28, 2023, a total of 311.0 positions have been established and 163.0 positions have been filled resulting in an additional one-time savings of approximately \$2.1 million in FY 2022-23. Additionally, a total of 44.5 positions were allocated to provide nursing supervision afterhours to be phased-in over two years. As of February 28, 2023, a total of 44.5 positions have been established and 32.0 positions have been filled resulting in a reduction of the projected one-time savings by \$1.1 million in FY 2022-23. Additionally, DSH has begun conducting a Post Implementation Evaluation which will re-assess all methodologies and data elements from the original study to determine effectiveness and applicability following the impacts of



the COVID-19 pandemic and any changes in patient population commitment type composition among the hospitals.

- *Mission Based Review – Protective Services (-\$4.8 million in FY 2022-23)*

This staffing standard identifies protective service posts and establishes workload-driven staffing methodologies to allocate adequate resources for essential police functions and reduce overtime usage. A total of 104.1 positions were allotted to be phased in over two years to support full implementation. As of February 28, 2023, all 104.1 positions have been established and 12.0 have been filled resulting in an additional one-time savings of approximately \$4.8 million in FY 2022-23. Additionally, following the implementation of the MBR Protective Services Staffing Standards at DSH-Napa, DSH will conduct a Post Implementation Evaluation of all data elements and will consider the expansion of staffing standards to the four remaining state hospitals.

- *Mission Based Review – Treatment Team and Primary Care (-\$4.0 million in FY 2022-23)*

This staffing standard uses data-informed methodologies for standardizing caseload for DSHs interdisciplinary treatment team and primary care, resulting in an increase in the number of treatment teams and primary care physicians in the state hospitals. A total of 213.3 positions were allotted to be phased in over five years to support implementation. As of February 28, 2023, 114.7 positions have been established and 43.5 have been filled. DSH is actively recruiting to fill these positions, however, hiring challenges have resulted in an additional one-time savings in FY 2022-23 of \$4.0 million.

- *Patient-Driven Operating Expenses and Equipment (OE&E) (\$2.5 million in FY 2022-23 and \$6.1 million in FY 2023-24)*

The Budget Act of 2019 included a standardized patient OE&E projection methodology based on FY 2019-20 actual expenditures and projected census. DSH anticipates an increased resource need in the 2023-24 May Revision due to revised prior year actuals and changes to patient census. DSH requests an additional \$2.5 million in FY 2022-23 and \$6.1 million in FY 2023-24 and ongoing.



- *COVID-19 Response (-\$19.7 million in FY 2022-23 and -\$9.2 million in FY 2023-24)*

With the onset of the COVID-19 pandemic, DSH executed a COVID-19 response plan across its system and adjusts this plan on an ongoing basis to respond to the COVID-19 pandemic challenges. Following the end of the State of Emergency on February 28, 2023, DSH has made changes, in accordance with Centers for Disease Control, California Department of Public Health, and Local Public Health guidance, to protocols regarding vaccinations, masking, testing, and isolations resulting in a one-time savings of \$19.7 million in in FY 2022-23 and an additional one-time savings of \$9.2 million in FY 2023-24.

- *DSH-Coalinga Intermediate Care (ICF) Facility Unit Conversion (-\$2.9 million in FY 2022-23)*

The Budget Act of 2022 included authority to convert one existing Residential Recovery Unit (RRU) at DSH-Coalinga to an Intermediate Care Facility (ICF). Conversion efforts began in July 2022; however, unit activation has been delayed due to fire suppression system repairs and subsequent regulatory approval. Unit activation has been delayed until May 2023, resulting in a one-time savings of \$2.9 million for FY 2022-23.

- *CONREP Non-Sexually Violent Predator (SVP) Program Update (-\$13.5 million in FY 2022-23)*

DSH continues to build out its continuum of care to increase placement options available to support a growing CONREP Non-SVP census and associated workload. DSH is reporting a one-time savings in FY 2022-23 of \$13.5 million due to activation adjustments for the Step-Down Transitional Programs and the CONREP FACT Regional Program (CFRP).

- *Felony Mental Health Diversion Program (Diversion) (No position authority or dollar change)*

In the last year, DSH fully executed five additional county contracts as part of the Felony Mental Health Diversion (Diversion) Pilot Program bringing the total number of counties with participating Diversion programs to twenty-eight. As of September 30, 2022, a total of 1,060 eligible individuals have been diverted to a county-run program. To fully expend the resources allocated as part of the Diversion pilot, DSH requests authority to reappropriate remaining funds from the Budget Act of 2018.



- *Incompetent to Stand Trial (IST) Solutions Program Update (No dollar changes and 5.0 position authority in FY 2023-24 and ongoing)*

DSH continues to build out its continuum of care for IST individuals and anticipates a decrease in patient waitlists through implementation of new and expansion of existing IST treatment programs. DSH requests to reappropriate up to \$107 million from the 2022 Budget Act to reflect updated implementation timelines across IST related programming, including Community Inpatient Facilities, Community Based Restoration (CBR), Diversion, Early Access Stabilization Services (EASS), and Jail Based Competency Treatment (JBCT). This additional time will allow DSH to continue negotiations and implementation of IST solutions across all counties. Additionally, DSH requests to reappropriate up to \$100 million from the 2021 Budget Act to allow time for the completion of infrastructure projects that DSH is in negotiation with providers to develop. This will also provide for unforeseen or increased costs to implement solutions or the potential need for additional capacity to respond to the growing referrals. This action will extend the availability of these funds from June 30, 2023, to June 30, 2025. Additionally, DSH requests 5.0 position authority in FY 2023-24 and ongoing to support increased IST referrals. These positions will be funded with existing IST solutions funding. Lastly, DSH requests \$129.5 million be shifted from the 2021 Budget Act to FY 2025-26 to better reflect anticipated expenditures based on program implementation plans.





**CAPITAL OUTLAY COMPARISON**  
**2023-24 Governor's Budget v. 2023-24 May Revision**  
*(Dollars in Thousands)*

<b>FUNDING SOURCE</b>	<b>2023-24 Governor's Budget</b>	<b>2023-24 May Revision</b>	<b>Difference</b>	<b>% Change</b>
<b>General Fund (0001)</b>	<b>\$3,437</b>	<b>\$34,282</b>	<b>\$30,845</b>	<b>897%</b>
Capital Outlay	\$3,437	\$34,282	\$30,845	897%
<b>Public Bldg Construction (0660)</b>	<b>\$0</b>	<b>\$39,952</b>	<b>\$39,952</b>	<b>0%</b>
Capital Outlay	\$0	\$39,952	\$39,952	0%
<b>TOTALS</b>	<b>\$3,437</b>	<b>\$74,234</b>	<b>\$70,797</b>	<b>2060%<sup>4</sup></b>

<sup>1</sup>Total includes non-budget act items (Medicare, Lottery, Re-Appropriations)

The 2023-24 May Revision reflects a net increase of \$70.8 million in General Fund and Public Building Construction Fund in FY 2023-24. The following provides specific detail of proposed budget adjustments.

**CAPITAL OUTLAY BUDGET CHANGE PROPOSALS**

- *Coalinga: Hydronic Loop Replacement- Reappropriation (\$26 million in FY 2023-24)*

DSH requests a reappropriation of \$26 million (General Fund) for the construction phase of the DSH-Coalinga Hydronic Loop Replacement. This project replaces the severely corroded and deteriorated existing below-grade hydronic loop piping system, thereby ensuring domestic hot water and heating continues to be provided to the hospital. The reappropriation is necessary to ensure project continuity should regulatory reviews not be completed in the current fiscal year. This reappropriation will allow DSH to proceed to construction in FY 2023-24.

- *DSH-Metropolitan Consolidation of Police Operations Revert and fund New (\$40.0 million in FY 2023-23)*

DSH requests the reversion of \$27.5 million (Public Buildings Construction Fund) and addition of \$40.0 million (Public Buildings Construction Fund), resulting in a net increase of \$12.4 million, for the construction phase of the

<sup>4</sup> Capital Outlay difference attributed to complete reversion of existing funds for DSH-Metropolitan Consolidation of Police Operations and DSH-Atascadero: Potable Water Booster Pump System, and re-request of funds in their entirety in BY.



Metropolitan: Consolidation of Police Operations project. The new building will allow for the consolidation of hospital police services into a single location and include the demolition of five seismically deficient buildings.

- *DSH-Atascadero: Potable Water Booster Pump System Revert and Fund New (\$4.7 million in FY 2023-24)*

DSH requests a reversion of \$2.1 million (General Fund) and addition of \$4.7 million (General Fund), resulting in a net increase of \$2.6 million, for the construction phase to install a potable water booster pump system to improve the performance of the DSH-Atascadero main water system. At present, the main water line pressure can drop to as low as 40 pounds per square inch (psi), which is well below the required operating pressure of 60 psi necessary for normal facility operations. This reduction in water main pressure puts the primary fire sprinkler system at risk of not being able to function correctly. The installation of a booster pump system will correct this problem and reduce the risk to the hospital's staff and patients in the event of a fire.



**STATE HOSPITAL POPULATION**

DSH is responsible for the daily care and treatment of over 7,000 patients. This estimated caseload is projected to exceed 9,000 by the end of FY 2023-24, with a total of 5,724 across the state hospitals, 2,590 in contracted programs and 1,065 in CONREP programs. Over the last decade, the population demographic has shifted from primarily civil court commitments to a forensic population committed through the criminal court system. The table below displays patient caseload by commitment type and contract location.

<b>2023-24 May Revision Estimates Caseload</b>	
<b>Location</b>	<b>Estimated Census on June 30, 2024</b>
<b><i>Population by Commitment Type – Hospitals</i></b>	
IST—PC 1370	1,826
NGI—PC 1026	1,219
OMD	1,044
SVP	953
LPS/PC 2974	594
PC 2684 (Coleman)	88
<b>Subtotal</b>	<b>5,724</b>
<b><i>Contracted Programs</i></b>	
Jail Based Competency Treatment Programs	541
Community Based Restoration	1,931
Community Inpatient Facilities	118
<b>Subtotal</b>	<b>2,590</b>
<b><i>CONREP Programs</i></b>	
CONREP Non-SVP	673
CONREP SVP	27
CONREP FACT Program	180
CONREP Step Down Facilities	185
<b>Subtotal</b>	<b>1,065</b>
<b>GRAND TOTAL</b>	<b>9,379</b>