



The Department of State Hospital's (DSH) budget as reflected in the 2025 Budget Act totals \$3.2 billion – a decrease of \$188.2 million (or 6%) and a decrease of 233.9 positions from the 2024 Budget Act. The budget includes investments in improving the departments operations and delivery of services, and state hospital facility capital outlay project improvements. The budget also includes General Fund related cost savings solutions for FY 2025-26 and ongoing. These cost-savings were achieved through the cancellation of contracts, rightsizing position authority to current need, and other operational efficiencies.

TOTAL STATE HOSPITALS
2024 Budget Act vs. 2025 Budget Act
(Dollars in Thousands)

FUNDING SOURCE	2024 Budget Act	2025 Budget Act	Difference	% Change
State Operations ¹	\$3,304,109	\$3,110,500	(\$193,609)	-6%
Capital Outlay	\$53,359	\$58,817	\$5,458	10%
TOTALS	\$3,357,468	\$3,169,317	(\$188,151)	-6%

¹Total includes non-budget act items (Medicare and Lottery)

SUPPORT BUDGET

The 2025 Budget Act reflects a net decrease of \$193.6 million in fiscal year (FY) 2025-26 (\$207.0 decrease in General Fund and an increase of \$13.4 million of reimbursement authority). The following provides specific detail of proposed budget adjustments.



SUPPORT COMPARISON
2024 Budget Act vs. 2025 Budget Act
(Dollars in Thousands)

FUNDING SOURCE	2024 Budget Act	2025 Budget Act	Difference	% Change
General Fund (0001)	\$3,138,663	\$2,931,652	(\$207,011)	-7%
Lease Revenue Bond (Ref 003)	\$35,497	\$35,536	\$39	0%
State Hospitals	\$35,497	\$35,536	\$39	0%
Support Funds (Ref 011)	\$3,100,528	\$2,893,489	(\$207,039)	-7%
Administration	\$290,257	\$282,218	(\$8,039)	-3%
State Hospitals	\$1,955,660	\$1,897,852	(\$57,808)	-3%
CONREP	\$93,311	\$92,942	(\$369)	0%
Contracted Patient Services ¹	\$726,017	\$575,842	(\$150,175)	-21%
Evaluation & Forensic Services	\$35,283	\$44,635	\$9,352	27%
Support HIPAA (Ref 017)	\$1,538	\$1,527	(\$11)	-1%
Administration	\$1,538	\$1,527	(\$11)	-1%
Non- Budget Act (Ref 502)	\$1,100	\$1,100	\$0	0%
Medicare- State Hospital	\$1,100	\$1,100	\$0	0%
Lottery Fund (0814)	\$21	\$21	\$0	0%
State Hospitals	\$21	\$21	\$0	0%
Federal Trust Fund (0890)	\$100	\$100	\$0	0%
State Hospitals	\$100	\$100	\$0	0%
Reimbursements Fund (0995, Ref 511)	\$165,325	\$178,727	\$13,402	8%
Administration	\$250	\$250	\$0	0%
State Hospitals	\$165,075	\$178,477	\$13,402	8%
TOTALS²	\$3,304,109	\$3,110,500	(\$193,609)	-6%

¹Total includes non-budget act items (Medicare and Lottery)

²2024 Budget Act includes reappropriated funding from previous Budget Acts in the amount of \$257,328,000



BUDGET CHANGE PROPOSALS (BCP)

Governor's Budget BCPs

- *Statewide Project Management (12.0 position authority in FY 2025-26 and ongoing)*

DSH received position authority for 12.0 positions in FY 2025-26 and ongoing to address the sustained increase in workload with the number of design and construction projects managed by Facility Planning, Construction & Management (FPCM) section. These positions exercise project management and oversight for all DSH information technology (IT) Infrastructure (the IT project components that interact with DSH's physical plant), Capital Outlay (CO) and Deferred Maintenance/Special Repair projects (DM/SR).

May Revise BCPs

- *Electronic Health Record (EHR) (\$7.5 million in FY 2025-56)*

DSH reappropriated \$7.5 million General Fund to cover costs for staffing of 26.4 Information Technology (IT) positions, Independent Verification & Validation (IV&V) services and CA Department of Technology (CDT) System Integrator contract execution costs for the EHR project. This allows the department to complete remaining planning activities and initiate project implementation by entering into a contract to procure the EHR system. DSH also received authority via budget bill language † to seek Department of Finance and Legislative approval for one-time, mid-year funding under specified conditions to avoid any delays in implementation.



ENROLLMENT, CASELOAD AND POPULATION

As of June 09, 2025, DSH has a total of 607 patients who have been referred to DSH for treatment and are pending placement into treatment bed, of which 315 are deemed Incompetent to Stand Trial (IST)¹. The enrollment, caseload, and population estimates propose additional funding to support hospital patient operating expense and equipment (OE&E) needs and increased LPS patient census.

State Hospitals

- *Patient-Driven Operating Expenses and Equipment (OE&E) (\$22.0 million in FY 2025-26 and ongoing)*

The Budget Act of 2019 adopted a standardized methodology to provide funding for patient-related OE&E items based on updated census estimates for each fiscal year and an estimated per patient cost, derived from past year actual expenditures. Based on FY 2023-24 actuals for utilities, pharmaceuticals, foodstuffs, outside medical and changes in projected patient census, DSH received \$22.0 million in FY 2025-26 and ongoing.

- *County Bed Billing Reimbursement Authority (\$13.4 million in FY 2025-26 and \$21 million in FY 2026-27 and ongoing)*

County Bed Billing Reimbursement Authority is comprised of the LPS population and Non-Restorable IST defendants, for which the counties reimburse DSH for the services provided. DSH increased this amount by \$13.4 million in FY 2025-26 and \$21 million in FY 2026-27 and ongoing due to a projected increase in LPS patient census and a negotiated increases to the daily bed rates.

- *DSH-Coalinga Telepsychology Pilot (\$474,000 in FY 2025-26 and \$342,000 in FYs 2026-27 and 2027-28)*

DSH received (\$474,000 in FY 2025-26 and \$342,000 in FYs 2026-27 and 2027-28) to pilot telepsychology services at DSH-Coalinga, modeled off its successful telepsychiatry program, for three fiscal years starting FY 2025-26. DSH redirected 4.0 existing, vacant Psychologist positions at DSH-Coalinga to provide telepsychology services as part of the three-year pilot program, and also received 2.0 limited-term (LT) coordinators to provide

¹ Additionally, 163 of the 315 individuals deemed IST are receiving DSH Early Access Stabilization Services (EASS) or other substantive services through local county providers, reducing the total number of ISTs pending access to substantive treatment to 152.



administrative and technical support onsite at the hospital to the telepsychologists.

- *Increased Coleman Referrals (3.0 position authority in FY 2025-26 and ongoing)*

DSH received 3.0 positions (authority only) in FY 2025-26 and ongoing to address increased workload related to referral intake for Coleman patients. DSH, in conjunction with the California Department of Corrections and Rehabilitation (CDCR), developed new methodologies to increase Coleman referrals from CDCR to DSH to increase DSH's Coleman census.

Contracted Patient Services

- *Incompetent to Stand Trial Solutions Program Update (-\$119.9 million in FY 2025-26 and 23.0 position authority ongoing, -\$118.0 million in FY 2026-27, and -\$51.0 million in FY 2027-28 and ongoing)*

DSH continues to build out its continuum of care for IST individuals through the expansion of its continuum of care. DSH reported one-time savings of \$119.9 million in FY 2025-26, \$118.0 million in FY 2026-27 and \$51.0 million in FY 2027-28 and ongoing, reflecting updated timelines for various IST program activations, primarily assumptions regarding the build out of new community-based treatment infrastructure and associated programing. DSH also received position authority only for 23.0 positions to support the data collection and outcomes monitoring for the Felony Mental Health Diversion (Diversion) program and the Re-Evaluation Services for Felony IST Program on an ongoing basis.

BUDGET LETTER ADJUSTMENTS

Pursuant to Control Section 4.12, which authorized Department of Finance (DOF) to reduce departmental budgets by capturing savings from vacant positions, DSH reduced 171.1 positions, resulting in savings of \$20.4 million in FY 2025-26 and ongoing, as outlined in Budget Letter 24-20. Additionally, pursuant to Control Section 4.05 and Budget Letter 24-24, which authorized DOF to reduce departmental budgets by up to 7.95 percent to reflect savings associated with cost-reduction measures, DSH's State Operations Budget was reduced by \$8.8 million in FY 2025-26 and ongoing. For additional detail, see the below breakdown:

- Budget Letter 24-20: Vacancy Savings and Position Elimination



- DSH Headquarters: 21.0 Positions and \$2,653,000 in FY 2025-26 and ongoing
 - DSH Hospitals: 150.1 Positions and \$17,747,000 in FY 2025-26 and ongoing
- Budget Letter 24-24: Government Efficiencies Reductions
 - DSH Headquarters: \$8,805,000 in FY 2025-26 and ongoing
 - DSH Hospitals: \$0

DSH GENERAL FUND SOLUTIONS

DSH identified several General Fund related cost savings measures for FY 2025-26 and ongoing. These cost-savings will be achieved through the cancellation of contracts, rightsizing position authority to current need, and other operational efficiencies. For the IST-specific solutions, the additional savings reset the ongoing baseline budget for IST solutions to reflect current programs and obligations needed to support DSH's efforts to continue to provide substantive services to IST individuals within 28 days and to support continued community-based restoration and diversion.

- *Various Operational Efficiencies/Solutions (-\$4.8 million in FY 2025-26, -\$5.9 million in FY 2026-27, and -\$2.3 million in FY 2027-28 and ongoing)*

Includes savings related to cancelling contracts, reducing cell phones, transitioning to soft-phones, increasing State Compensation Insurance Funds delegated authority to settle workers' compensation claims, and rightsizing anti-ligature risk funding.

- *Implement Prior Authorization Software (-\$250,000 in FY 2025-26, -\$500,000 in FY 2026-27, and -\$1 million in FY 2027-28 and ongoing)*

Includes savings related to the implementation of a prior authorization and utilization management software for certain specialty care services to confirm medical necessity of referrals of patients to specialty medical providers/specialists.

- *Rightsizing Isolation Unit Staffing (-\$22.1 million and 124.1 position authority in FY 2025-26 and ongoing)*

Includes savings related to the reduction of 124.1 isolation unit related positions to align with current isolation practices and utilization.



- *Modify Not Guilty by Reason of Insanity (NGI) Reporting Requirements (-\$1.5 million and 3.0 position authority in FY 2025-26 and ongoing)*

Includes savings related to the reduction of 3.0 positions associated with a statutory change to adjust the frequency of status reports to the court from semi-annual to annual for NGI commitments.

- *Rightsizing IST Solutions (-\$4.5 million in FY 2024-25, -\$161.1 million in FY 2025-26, -\$238.8 million in 2026-27 and -\$157.3 million in FY 2027-28 and ongoing)*

Includes savings related to aligning Early Access and Stabilization Services, Community Based Restoration and Diversion, and County Collaborative Workgroup Grant funding to the current IST referral level and to maintain both current service levels and program contracts in active negotiation. The identified savings resets the ongoing baseline budget for IST solutions to reflect current programs and obligations needed to support DSH's efforts to continue to provide substantive services to IST individuals within 28 days and to support continued community-based restoration and diversion.

- *Community-Based Restoration/Felony Diversion Reduction (-\$12.3 million in FY 2025-26 and ongoing)*

Includes savings related to rightsizing the Los Angeles County Community-Based Restoration and Diversion contract to the current year funding levels to reflect current enrollment rates.

The combined cost savings from these DSH General Fund budget solutions result in savings of \$202.1 million in FY 2025-26, \$281.1 million in 2026-27, and \$196.5 million ongoing beginning in FY 2027-28.



CAPITAL OUTLAY COMPARISON
2024 Budget Act vs. 2025 Budget Act
(Dollars in Thousands)

FUNDING SOURCE	2024 Budget Act	2025-26 May Revision	Difference
General Fund (0001)	\$1,051	\$58,817	\$57,766
Capital Outlay	\$1,051	\$58,817	\$57,766
Public Bldg Construction (0660)	\$52,308	\$0	(\$52,308)
Capital Outlay	\$52,308	\$0	(\$52,308)
TOTALS	\$53,359	\$58,817	\$5,458

*Total includes non-budget act items (Medicare, Lottery, Re-Appropriations)

The Budget Act of 2025 reflects a net increase of \$5.5 million in General Fund and Public Building Construction Fund in FY 2025-26. The following provides specific detail of proposed budget adjustments.

CAPITAL OUTLAY BUDGET CHANGE PROPOSALS (COBCP)

Governor's Budget COBCPs

- *Napa Electrical Infrastructure Upgrades (\$2.8 million in FY 2025-26)*

DSH received \$2.8 million in General Fund for the preliminary plans phase of the DSH-Napa Electrical Infrastructure Upgrade project. This project upgrades the electrical distribution infrastructure, which includes replacement of the existing Pacific Gas and Electric (PG&E) transformer, substation, utility feeder lines, facility transformers, switch gear, and installation of an additional generator.

May Revise COBCPs

- *Patton: Fire Alarm System Upgrade – Reappropriation (\$21.6 million in FY 2025-26)*

DSH reappropriated \$21.6 million General Fund for the construction phase of the Patton Fire Alarm System Upgrade project. The project removes and replaces fire alarm systems in four secured patient housing buildings and treatment areas (30, 70, U, and the EB buildings).



- *Coalinga: Hydronic Loop – Revert and Fund New (\$34.4 million in FY 2025-26)*

DSH received a new appropriation of \$34.4 million GF for the construction phase of the DSH Coalinga Hydronic Loop Replacement project. This project consists of the replacement of the deteriorated below grade hydronic loop piping system with a specialized plastic piping system. The new hydronic loop will provide a complete hot and cold-water distribution loop.



STATE HOSPITAL POPULATION

DSH is responsible for the daily care and treatment of its patients. This estimated caseload is projected to exceed 9,000 patients by the end of FY 2025-26, with a total of 5,772 across the state hospitals, 1,694 in contracted programs and 952 in CONREP Non-SVP and CONREP SVP 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.

2025-26 May Revision Estimates Caseload	
Location	Estimated Census on
	June 30, 2026
<i>Population by Commitment Type – Hospitals</i>	
Incompetent to Stand Trial (IST) — PC 1370	1,681
Not Guilty by Reason of Insanity (NGI) — PC 1026	1,218
Offenders with Mental Disorders (OMD) — PC 2962/2972	1,039
Sexually Violent Predator (SVP) — WIC 6602/6604	950
Lanterman-Petris-Short (LPS) — PC 2974	625
Coleman — PC 2684	260
Subtotal	5,773
<i>Contracted Programs</i>	
Jail Based Competency Treatment Programs	433
Community Based Restoration	1,033
Community Inpatient Facilities	228
Subtotal	1,694
<i>Conditional Release Programs (CONREP)</i>	
CONREP Non-SVP	666
CONREP SVP	31
CONREP Forensic Assertive Community Treatment (FACT) Program	90
CONREP Step Down Facilities	165
Subtotal	952
GRAND TOTAL	8,419