



The Department of State Hospital's (DSH) proposed budget for fiscal year (FY) 2025-26 totals \$3.2 billion – a decrease of \$191.5 million from the 2025-26 Governor's Budget – with a reduction of 233.9¹ positions in budget year (BY). The proposed budget will allow the department to maintain operations, delivery of services, and provide state hospital facility capital outlay project improvements.

TOTAL STATE HOSPITALS COMPARISON
2025-26 Governor's Budget v. 2025-26 May Revision
(Dollars in Thousands)

FUNDING SOURCE	2025-26 Governor's Budget	2025-26 May Revision	Difference	% Change
State Operations	\$3,358,009	\$3,110,500	(\$247,509)	-7%
Capital Outlay	\$2,844	\$58,817	\$55,973	1,968%
TOTALS	\$3,360,853	\$3,169,317	(\$191,536)	-6%

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

¹ Includes 171.1 positions from the Budget Letter 24-20: Vacancy Savings and Position Elimination drill performed at Governor's Budget and additional positions reductions as specified in the May Revision, as described in the DSH General Fund Solutions section of this document.



SUPPORT COMPARISON
2025-26 Governor's Budget v. 2025 May Revision
(Dollars in Thousands)

FUNDING SOURCE	2025-26 Governor's Budget	2025-26 May Revision	Difference	% Change
General Fund (0001)	\$3,192,563	\$2,931,652	(\$260,911)	-8%
Lease Revenue Bond (Ref 003/093)	\$35,536	\$35,536	\$0	0%
State Hospitals	\$35,536	\$35,536	\$0	0%
Support Funds (Ref 011)	\$3,154,400	\$2,893,489	(\$260,911)	-8%
Administration	\$276,352	\$282,218	\$5,866	2%
State Hospitals	\$1,945,367	\$1,897,852	(\$47,515)	-2%
CONREP	\$91,987	\$92,942	\$955	1%
Contracted Patient Services	\$811,706	\$575,842	(\$235,864)	-29%
Evaluation & Forensic Services	\$28,988	\$44,635	\$15,647	54%
Support HIPAA (Ref 017)	\$1,527	\$1,527	\$0	0%
Administration	\$1,527	\$1,527	\$0	0%
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 (Ref 511)	\$165,325	\$178,727	\$13,402	8%
Administration	\$250	\$250	\$0	0%
State Hospitals	\$165,075	\$178,477	\$13,402	8%
TOTALS	\$3,358,009	\$3,110,500	(\$247,509)	-7%

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

SUPPORT BUDGET

The 2025-26 May Revision reflects a net decrease of \$247.5 million in General Fund in FY 2025-26 compared to the Governor's Budget. The following provides specific details of proposed budget adjustments.



SPRING FINANCE LETTERS

- *Electronic Health Record (EHR) (-\$7.5 million in FY 2024-25 and \$7.5 million in FY 2025-56)*

DSH proposes to reappropriate \$7.5 million General Fund to cover costs for one-time 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 will allow the department to complete remaining planning activities and initiate project implementation by entering into a contract to procure the EHR system. DSH also requests that budget bill language be added to allow DSH to seek Finance and Legislative approval for one-time, mid-year funding under specified conditions to avoid any delays in implementation into the budget year.



ENROLLMENT, CASELOAD AND POPULATION

As of May 7, 2025, DSH has a total of 587 patients pending placement, of which 278 are deemed Incompetent to Stand Trial (IST) and 218 are Lanterman-Petris-Short (LPS) commitments. The enrollment, caseload, and population estimates propose funding to pilot telepsychology services at DSH-Coalinga to expand access to treatment for DSH patients, an adjustment to patient-driven operating expenses and equipment for utilities, pharmaceuticals, foodstuffs and outside medical, including increased funding to respond to the projected increase in census, and increased reimbursement authority due to a projected increase in Lanterman-Petris-Short (LPS) patient census and negotiated increases to the daily bed rates.

- *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 and the California Mental Health Services Authority (CalMHSA) agreed to increased county bed billing daily bed rates. DSH also plans to expand the use of DSH beds at DSH-Metropolitan for LPS patients, increasing capacity for LPS patients by 69 beds. DSH projects no change for FY 2024-25 and requests an increase in reimbursement authority of \$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 the negotiated increases to the daily bed rates.

- *DSH-Metropolitan Increase Secured Bed Capacity (ISBC) (-\$5.9 million in FY 2024-25)*

The DSH-Metropolitan Increased Secure Bed Capacity (ISBC) project continues to experience delays in the activation of Units 4 and 5. DSH anticipates the Skilled Nursing Facility (SNF) building restoration will be completed in May 2025. This three-month delay results in an additional one-time savings of \$5.9 million in FY 2024-25. Total one-time savings in FY 2024-25 of \$10.3 million. Additionally, DSH projects it will activate the first of the two units for LPS patients rather than IST patients as originally planned.

- *Patient-Driven Operating Expenses and Equipment (OE&E) (-\$1.5 million in FY 2024-25 and \$290,000 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. Due to changes in projected patient census, DSH reports an adjustment to the 2025-26 Governor's Budget of a reduction of \$1.5 million in FY 2024-25 and a request for an additional \$290,000 in FY 2025-26 and ongoing for Utilities, Pharmaceuticals, Foodstuffs, and Outside Hospitalization as part of support for patient-driven OE&E.

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

Recruitment and retention have been historically challenging for DSH due to multiple compounding factors. The use of remote psychiatry services at DSH has increased access to treatment for DSH patients, especially at locations where it has been historically difficult to recruit psychiatrists, such as DSH-Coalinga. DSH requests to pilot telepsychology services at DSH-Coalinga, modeled off its successful telepsychiatry program, for three fiscal years starting FY 2025-26. DSH proposes to redirect 4.0 existing, vacant Psychologist positions at DSH-Coalinga to provide telepsychology services for a three-year pilot program, and requests \$286,000 in FY 2025-26 through FY 2027-28 for 2.0 limited-term (LT) coordinators to provide administrative and technical support onsite at the hospital to the telepsychologists. DSH also requests \$188,000 in FY 2025-26 and \$56,000 through FY 2027-28 for the associated information technology (IT) equipment required to support telepsychology services.

- *Conditional Release Program (CONREP) Non-Sexually Violent Predators (SVP) (-\$3.3 million in FY 2024-25)*

DSH continues to modify its programming options within the CONREP continuum of care and anticipates a total contracted caseload of 923 in FY 2024-25 and 921 FY 2025-26. As a result of a reduced census and program closures DSH reports an additional one-time savings of \$3.3 million in FY 2024-25.

- *Incompetent to Stand Trial (IST) (-\$10.9 million in FY 2024-25, -\$37.8 million in FY 2025-26, and -\$39.0 million in FY 2026-27)*

DSH continues its efforts to support timely access to treatment for individuals who are found IST on a felony charge and reports a waitlist of 278⁵ IST individuals as of the 2025-26 May Revision. This change represents a reduction of nearly 23% from the waitlist of 359 reported in the 2025-26 Governor's Budget. Furthermore, of the 278 individuals on the waitlist pending admission to a treatment bed, 121 are receiving substantive



treatment services through either the Early Access and Stabilization Services (EASS) program or other treatment program. There are 133 individuals on the waitlist who have not yet began receiving treatment services from a DSH program, 26 are out of custody and are in the community. DSH reports a one-time savings within the EASS program of \$10.2 million in FY 2024-25 and \$27.0 million beginning in FY 2025-26 and ongoing due to changes of program implementation. Additionally, for the 2025-26 May Revision, DSH reports the following savings within the Jail Based Competency Treatment (JBCT) program: \$628,000 in FY 2024-25, \$10.8 million FY 2025-26, \$12 million in FY 2026-27, and \$24 million in FY 2027-28 and ongoing. The savings are due to discontinued program expansions, delayed new program activations, and canceled new program activations.



DSH GENERAL FUND SOLUTIONS

DSH has identified several General Fund related cost savings measures. These cost-savings are being achieved through the cancellation of contracts, rightsizing position authority to current need, and other operational efficiencies. For the IST-specific solutions, the additional 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.

- *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 reducing 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 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 in FY 2025-26 and ongoing)*

Includes savings related to the reduction of 3.0 positions associated with proposed trailer bill to change 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 LA County Community-Based Restoration and Diversion contract to the current year funding levels to reflect current enrollment rates.

- *Incompetent to Stand Trial Solutions Grant Funding* - DSH proposes to revert \$232.5 million of unused grant funding originally appropriated in FY 2022-23 which had encumbrance availability until FY 2026-27
- *Alienist Training* – DSH proposes to revert \$4.6 million in unused funding originally appropriated in FY 2023-24 and \$4.5 million in FY 2024-25 for the Judicial Council to develop training for court-appointed evaluators. This funding had encumbrance availability until FY 2025-26.

The combined cost savings from these DSH General Fund budget solutions will result in savings of \$232.5M in 2022-23, \$4.6M in 2023-24, \$4.5 million in FY 2024-25, \$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
2025-26 Governor's Budget v. 2025-26 May Revision
(Dollars in Thousands)

FUNDING SOURCE	2025-26 Governor's Budget	2025-26 May Revision	Difference	% Change
General Fund (0001)	\$2,844	\$58,817	\$55,973	1,968%
Capital Outlay	\$2,844	\$58,817	\$55,973	1,968%
Public Bldg Construction (0660)	\$0	\$0	\$0	0%
Capital Outlay	\$0	\$0	\$0	0%
TOTALS	\$2,844	\$58,817	\$55,973	1,968%

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

The 2025-26 May Revision reflects a net increase of \$55.9 million in General Fund in FY 2025-26. The following provides specific detail of proposed budget adjustments.

CAPITAL OUTLAY BUDGET CHANGE PROPOSALS

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

DSH proposes a reappropriation of \$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). The action is necessary to ensure this critical fire & fire-safety project will continue to safeguard DSH staff and patients should a fire related emergency occur in one of the four buildings.



- *Coalinga: Hydronic Loop – Revert and Fund New* (-\$26.2 million in FY 2024-25 and \$34.4 million in FY 2025-26)

DSH proposes a reversion of \$26.2 million General Fund (GF) and a new appropriation of \$34.4 million GF for the construction phase of the DSH-Coalinga Hydronic Loop Replacement project. This project's scope is unchanged and 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. Due to the scale and complexity of the project coupled with the remoteness of the project location and year-over-year inflation, the final bid tabulations came in higher than currently estimated.



STATE HOSPITAL POPULATION

DSH is responsible for the daily care and treatment of over 7,400 patients. This estimated caseload is projected to exceed 8,000 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	5,772
<i>Contracted Programs</i>	
Jail Based Competency Treatment Programs	433
Community Based Restoration / Diversion	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	8,418

* Revised 5/20/2025