

**STATE OF CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
ARNOLD SCHWARZENEGGER, GOVERNOR**

**CALIFORNIA DEPARTMENT
OF ALCOHOL AND DRUG PROGRAMS**

**HIGHLIGHTS OF THE
GOVERNOR'S BUDGET
FISCAL YEAR 2007-08**

JANUARY 10, 2007

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
GOVERNOR'S BUDGET
Fiscal Year 2007-08
-HIGHLIGHTS-

TOTAL BUDGET

The Department of Alcohol and Drug Programs' (ADP) proposed budget for Fiscal Year (FY) 2007-08 is \$662.8 million. This represents a total decrease of \$4.7 million [Exhibit D], as compared to the FY 2006-07 Budget Act Appropriation of \$667.5 million. Of the total \$662.8 million, \$604.5 million (91.2%) is for local governments and communities to provide treatment, recovery, and prevention services; and \$58.3 million (8.8%) is for State Support [Exhibit A].

POSITION SUMMARY

The proposed FY 2007-08 Governor's Budget includes 361.5 positions, which represents a net increase of 29.0 positions due to Budget Change Proposal (BCP) requests. The BCP requests consist of 3.5 limited-term positions to administer the new Substance Abuse Offender Treatment Program, 4.0 permanent positions to administer the increased funding for the Comprehensive Drug Court Implementation (CDCI) Programs for adult felony drug courts, 12.5 positions (4.5 limited term) for Licensing Reform (Phase II) to meet existing statutory obligations related to licensing activities, 2.0 limited-term positions to implement the California Methamphetamine Initiative, 5.0 permanent positions to fund increased licensing workload related to Prison Inmate Aftercare Treatment (SB 1453), and the conversion of 2.0 limited term positions expiring June 30, 2007 to permanent positions to continue collaborative efforts with the Department of Mental Health (DMH) to implement the Mental Health Services Act (MHSA) for Integrated Services for Persons with Co-Occurring Disorders.

GENERAL FUND

ADP's proposed budget includes \$225.2 million (34% of the total proposed budget) in State General Fund (SGF) for ADP programs [Exhibit B]. This represents a 32.7 percent increase in ADP's SGF as compared to the FY 2006-07 total SGF Appropriation of \$169.6 million. The increase is due to several policy changes that propose to redirect funding from other areas of ADP's budget to SGF [Exhibit D]. These changes are discussed below. Of the \$225.2 million total proposed SGF budget, \$205.6 million (91.3%) is for Local Assistance and \$19.6 million (8.7%) is for State Support [Exhibit C].

The proposed SGF budget includes funding for Non-Drug Medi-Cal (DMC) Regular Discretionary and Non-DMC Perinatal Programs, the Drug Court Partnership Act (DCPA), the CDCI, the Dependency Drug Court Program, Methamphetamine Prevention Campaign, Substance Abuse Offender Treatment Program, DMC Regular and DMC Perinatal Programs, and the Health Insurance Portability and Accountability Act (HIPPA), which are discussed in more detail later in this document.

General Fund Discretionary

The proposed SGF budget includes \$7.1 million for Non-DMC Regular Discretionary Programs. Of this amount, \$5.8 million is for Local Assistance and \$1.3 million is for State Support [Exhibit C].

General Fund Perinatal

The proposed Local Assistance budget continues to include \$23.5 million for Non-DMC Perinatal Programs [Exhibit C]. Of the proposed funds for ADP's Perinatal Programs, \$6.4 million continues to fund existing residential perinatal treatment programs started through federal Center for Substance Abuse Treatment grants. These expired grants are now constituted as Women and Children's Residential Treatment Services.

Drug Court Partnership (DCP) Act Program

The proposed budget continues to include \$7.8 million for the DCP Act of 2002. Of this amount, \$7.6 million is for Local Assistance and the remaining balance of \$254,000 is for two positions in State Support [Exhibit C]. The focus of DCP activities continues to be exclusively on felons.

Comprehensive Drug Court Implementation (CDCI) Act Program

The proposed budget is \$18 million for CDCI, including a \$4.9 million increase in FY 2007-08 for the full-year augmentation of \$8.9 million, which was previously approved by the Legislature in FY 2006-07. Of the total budget of \$18 million, \$17.4 million is for Local Assistance and the remaining balance of \$526,000 reflects a requested increase of four permanent positions in State Support to administer the expansion of the CDCI Program [Exhibit C].

Dependency Drug Court

The proposed budget reflects a shift of \$5.1 million from the Department of Social Services for the continued support of the Dependency Drug Court Program, including \$300,000 for program evaluation. There is also a corresponding reduction of \$4.8 million in ADP's reimbursement authority, for a net increase to ADP's budget of \$300,000 [Exhibits C & D].

California Methamphetamine Initiative (CMI)

The proposed budget continues to include \$10.0 million and a requested increase of two limited-term positions to develop and coordinate CMI activities. These funds will be used to conduct a statewide prevention campaign to reduce methamphetamine use and implement a strategy for reaching targeted audiences using the media, community, and other public relation efforts.

Substance Abuse Offender Treatment Program (OTP)

The proposed budget includes a \$35 million increase for the expansion of OTP to allow for the implementation of reforms that will lead to improved program performance and client outcomes. Of the \$60 million total budget for OTP, \$58.0 million is for Local Assistance and \$2.2 million is for State Support. The State Support budget includes a technical adjustment to allocate a portion of state support costs from Substance Abuse and Crime Prevention Act (SACPA) to OTP to reflect how funding will be proportionately distributed to the counties. In addition, the budget includes a requested increase of three and one half limited-term positions to administer the expansion of OTP.

SUBSTANCE ABUSE AND CRIME PREVENTION ACT (SACPA)

The proposed budget reflects a \$60.0 million (50%) reduction to SACPA due to the suspension of reforms. Of the total \$60 million proposed budget, \$58.3 million (97.2%) is for Local Assistance and \$1.7 million (2.8%) is for State Support [Exhibit C]. As reflected in the OTP summary above, this proposal includes a technical adjustment to allocate a portion of state support costs from Substance Abuse and Crime Prevention Act (SACPA) to OTP to reflect how funding will be proportionately distributed to the counties. The net effect of the funding changes to OTP and SACPA result in General Fund savings of \$25 million on a one-time basis.

DRUG MEDI-CAL (DMC) PROGRAM

The DMC program provides medically necessary substance abuse treatment services for eligible Medi-Cal beneficiaries. Services include outpatient drug free, narcotic replacement therapy, day care rehabilitative, Naltrexone, and residential services for pregnant and parenting women.

Based upon the DMC Fall Estimates for FY 2007-08 developed by ADP's Office of Applied Research and Analysis, the proposed Local Assistance budget reflects \$79.7 million in DMC SGF (\$75.3 million Regular and \$4.4 million Perinatal) and \$69.3 million (\$64.9 million Regular and \$4.4 million Perinatal) in DMC federal financial participation (FFP) reimbursements from the Department of Health Services [Exhibit C]. Compared to the FY 2006-07 Budget Act, this represents an SGF increase of \$9.8 million and an FFP increase of \$5.5 million due to projected caseload and unit of service increases, as well as the restoration of the DMC rates to the most current FY 2006-07 DMC Developed Rates.

The Federal Medi-Cal Assistance Percentage (FMAP) is the percentage used to determine the federal share of the Medi-Cal Program. For FY 2007-08, the FMAP continues to be 50 percent.

The proposed budget for State Support includes \$4.1 million in SGF and \$4.1 million in FFP reimbursement for DMC program support [Exhibit C].

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

This proposed budget includes \$1.8 million (\$0.8 million SGF and \$1.0 million Reimbursements) in State Support for HIPAA [Exhibit C].

PROBLEM GAMBLING/INDIAN GAMING SPECIAL DISTRIBUTION FUND

The proposed budget includes \$3.3 million in State Support from the Indian Gaming Special Distribution Fund to implement a problem gambling prevention program [Exhibit C].

MENTAL HEALTH SERVICES ACT (PROPOSITION 63)

The proposed budget includes an increase of \$260,000 in State Support from the Mental Health Services Fund in support of the Mental Health Services Act (Proposition 63) and the conversion of two limited term positions to permanent. The total budget of \$510,000 continues to support activities associated with developing collaborative mental health and AOD services [Exhibits C & D].

SUBSTANCE ABUSE SERVICES FOR INDIAN HEALTH CLINICS

The proposed budget continues to include \$2.1 million to fund substance abuse services in Indian Health Clinics. These funds are reflected as reimbursements from the Department of Social Services (DSS). The proposed budget includes \$1.9 million in Local Assistance and \$157,000 in State Support [Exhibit C].

LICENSING REFORM PHASE II

The proposed budget includes a requested increase of \$1.2 million and position authority for eight permanent and four and one half limited-term positions to implement the second phase of improvements to ADP's licensing and certification practices for enforcing AOD treatment quality standards and for detecting and deterring Drug Medi-Cal (DMC) fraud. This proposal also reflects the expansion of ADP's existing statutory authority for the collection of fees to include charging all licensed residential and certified providers and to establish the Residential and Outpatient Program Licensing Fund. The expansion of fees collected will allow ADP to move toward self-sufficiency. The budget includes an estimated revenue of \$1.6 million in FY 2007-08 associated with the collection of these fees.

PRISON INMATE AFTERCARE TREATMENT

The proposed budget includes a requested increase of \$519,000 (\$485,000 SGF) and five positions as the result of the passage of Senate Bill 1453 (SB 1453) which requires the California Department of Corrections and Rehabilitation (CDCR) to, whenever possible, enter any non-serious, non-violent, non sex-offender inmate who has successfully completed an in-prison drug treatment program (Substance Abuse Program

[SAP]) into a 150-day residential aftercare drug treatment program sanctioned by the CDCR. These funds and positions will allow ADP to handle the anticipated increase in licensing workload associated with the anticipated expansion of residential facilities to serve these additional clients.

FEDERAL FUNDS

The proposed budget includes \$280.4 million in Federal Trust Funds, which represents 42.3 percent of ADP's total proposed budget [Exhibit B].

Substance Abuse Prevention and Treatment (SAPT) Block Grant

The proposed budget includes \$260.1 million for the Substance Abuse Prevention and Treatment (SAPT) Block Grant [Exhibit C]. Of this \$260.1 million, \$2.0 million continues to be transferred to the Department of Health Services in compliance with the requirements established for the Sale of Tobacco to Minor Control Account. The remaining \$258.1 million SAPT dollars consist of \$239.4 million for Local Assistance and \$18.7 million for State Support [Exhibit C].

SAPT Maintenance of Effort (MOE) Requirement

As a condition of receiving SAPT Block Grant funds, ADP must meet the MOE grant requirement, which requires ADP to maintain non-federal expenditures for substance abuse prevention and treatment services at a specific level. The MOE requirement is derived from a mathematical computation in which the current year's non-federal expenditures cannot be less than the average of those expenditures for the two preceding state fiscal years.

ADP's proposed budget includes \$304.3 million in non-federal expenditures, which is sufficient to meet the State's SAPT MOE requirement of \$281.7 million for FY 2007-08.

Substance Abuse Treatment and Testing Accountability (SATTA) Program

The proposed budget continues to include \$8.6 million in SAPT Block Grant funds for the SATTA Program. The SATTA Program provides funding for drug testing for clients treated under the Substance Abuse and Crime Prevention Act of 2000 and can also be used for any other purpose consistent with federal SAPT Block Grant requirements.

Safe and Drug Free Schools and Communities (SDFSC) Grant

The proposed budget includes \$10.3 million for the Safe and Drug Free Schools and Communities (SDFSC) Grant. Of this amount, \$8.2 million is for Local Assistance and \$2.1 million is for State Support [Exhibit C].

Screening, Brief Intervention, Referral, and Treatment (SBIRT) Grant

The proposed budget continues to include \$3.5 million for the SBIRT Grant. The SBIRT Program provides alcohol and other drug (AOD) screening, brief intervention, referral, and treatment and extends the State's current continuum of care for AOD clients. The proposed budget includes \$3.4 million in Local Assistance, with the remaining \$76,000 in State Support [Exhibit C].

State Incentive Grant (SIG)

The proposed budget reflects a decrease of \$3.6 million in federal funds due to the loss of available federal funds associated with the completion of the State Incentive Grant in April of 2007 [Exhibit D].

Access to Recovery (ATR) Grant

The proposed budget continues to include \$7.6 million in Federal Expenditure Authority for the ATR Grant, implemented as the California Access to Recovery Effort (CARE) to assist young people in Los Angeles and Sacramento Counties in need of substance abuse treatment. This grant increased substance abuse treatment capacity by implementing a voucher program that expands access to a comprehensive array of clinical alcohol and other drug treatment and recovery services (including faith-based treatment options). The proposed budget includes \$6.4 million in Local Assistance and \$1.2 million in State Support [Exhibit C].

Ecstasy and Other Club Drugs Grant

The proposed budget continues to include \$292,000 in Federal Expenditure Authority for the Ecstasy and Other Club Drugs Grant. This grant provides prevention and intervention services, as well as mentoring to at-risk middle school and high school students to reduce the risk of early onset experimentation and use of gateway and club drugs. The proposed budget includes \$272,000 in Local Assistance and \$20,000 in State Support [Exhibit C].

WELFARE REFORM – CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

Substance abuse can limit or impair a CalWORKs participant's ability to make the transition from welfare to work, or retain employment over a long period of time. The budget for DSS includes \$48.268 million SGF for the provision of treatment and recovery services to CalWORKs recipients for whom substance abuse is a barrier to employment. This is an increase of \$143,000 from the FY 2006-07 Budget Act funding, reflecting the net effect of caseload growth and a slight decrease in the cost per case. The CalWORKs SGF for substance abuse will continue to be specifically identified in DSS' county allocation.

In addition to the allocation for Substance Abuse Services, counties receive an allocation for Mental Health Services for CalWORKs participants. These funds are provided for the

treatment of mental or emotional difficulties that may limit or impair a CalWORKs participant's ability to make the transition from welfare to work or to retain employment. Counties have the flexibility to move funds between their Substance Abuse Services and Mental Health Services allocations to meet local needs. The DSS budget includes \$60.146 million SGF for CalWORKs Mental Health Services for 2007-08. This is a decrease of \$2.631 million from the 2006-07 Budget Act appropriation. The reduction reflects a caseload increase offset by a decline in the cost per case.

Exhibit A

Department of Alcohol and Drug Programs Governor's Budget Fiscal Year 2007-08

Budget by Category (\$ In Millions)

**Total Governor's Budget
\$662.8 Million**

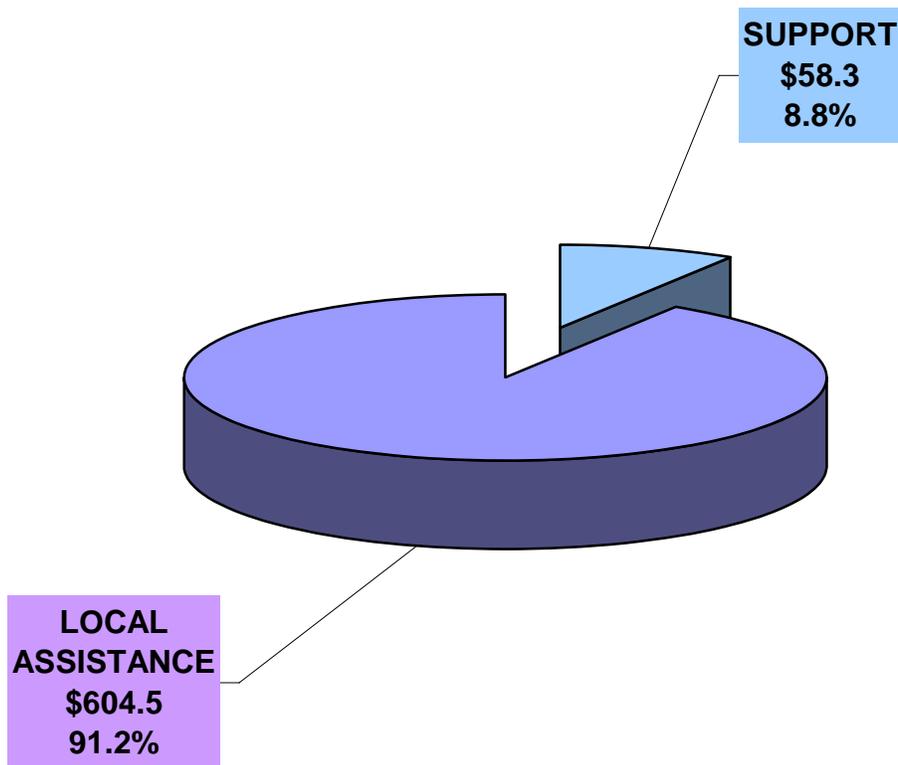
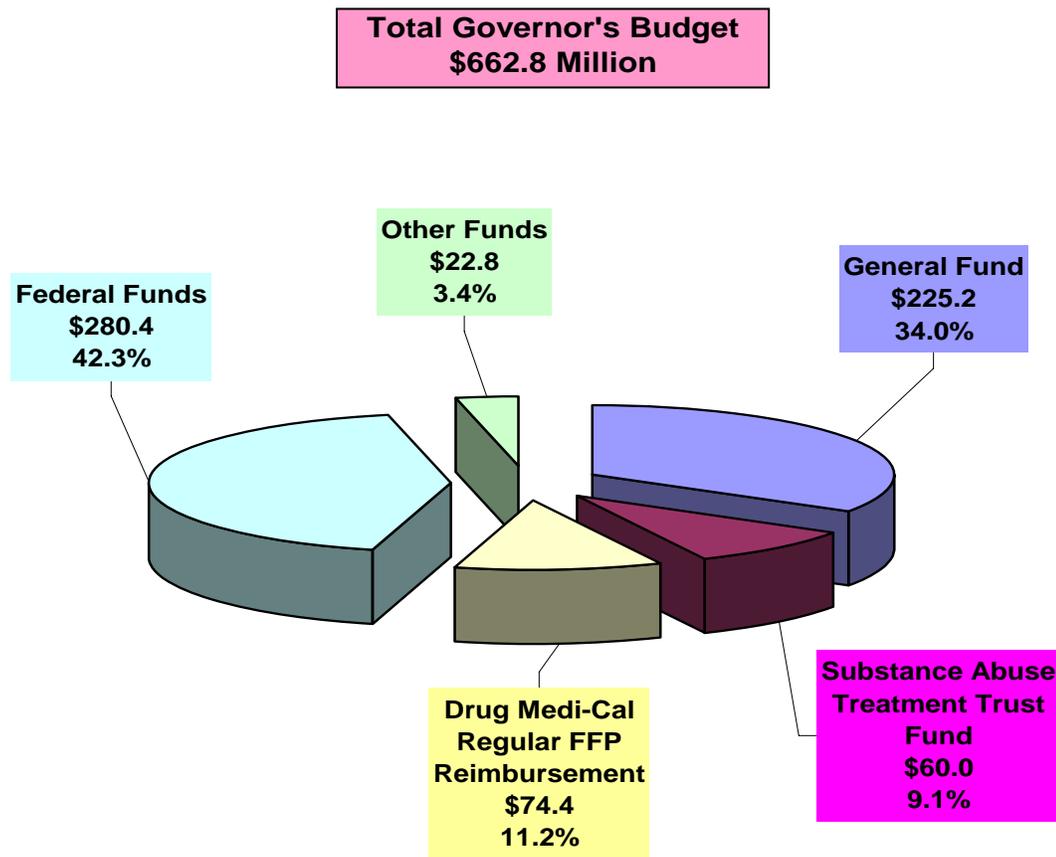


Exhibit B

**Department of Alcohol and Drug Programs
Governor's Budget
Fiscal Year 2007-08**

Budget by Fund Source
(\$ In Millions)



* "OTHER FUNDS" INCLUDES: DRIVING-UNDER-THE-INFLUENCE LICENSING TRUST FUND, NARCOTIC TREATMENT PROGRAM LICENSING TRUST FUND, AUDIT REPAYMENT TRUST FUND, INDIAN GAMING SPECIAL DISTRIBUTION FUND, MENTAL HEALTH SERVICES FUND, RESIDENTIAL OUTPATIENT PROGRAM LICENSING FUND, RESIDENT-RUN HOUSING REVOLVING FUND, THE DEPARTMENT OF SOCIAL SERVICES REIMBURSEMENT CONTRACT, THE DEPARTMENT OF CORRECTIONS AND REHABILITATION REIMBURSEMENT CONTRACT, AND OTHER MISCELLANEOUS REIMBURSEMENT AUTHORITY.

EXHIBIT C
DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
FY 2007-08 Governor's Budget

(\$ IN THOUSANDS)

FUNDING SOURCE	CATEGORY		TOTAL BUDGETED EXPENDITURES	% of TOTAL EXPENDITURES
	SUPPORT	LOCAL ASSISTANCE		
General Fund	\$19,536	\$205,618	\$225,154	33.97%
Non-Drug Medi-Cal Regular	\$1,275	\$5,768	\$7,043	1.06%
Non-Drug Medi-Cal Perinatal	\$0	\$23,457	\$23,457	3.54%
Drug Court Partnership Act	\$254	\$7,600	\$7,854	1.18%
Comprehensive Drug Court Implementation Act	\$526	\$17,434	\$17,960	2.71%
Dependency Drug Court	\$300	\$4,800	\$5,100	0.77%
Parolee Services	\$0	\$8,900	\$8,900	1.34%
Methamphetamine Prevention Campaign	\$10,000	\$0	\$10,000	1.51%
Substance Abuse Offender Treatment Program	\$2,234	\$57,952	\$60,186	9.08%
Drug Medi-Cal Regular	\$3,860	\$75,269	\$79,129	11.94%
Drug Medi-Cal Perinatal	\$228	\$4,438	\$4,666	0.70%
HIPAA	\$859	\$0	\$859	0.13%
Substance Abuse Treatment Trust Fund (Prop 36)	\$1,743	\$58,257	\$60,000	9.04%
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,498	\$0	\$1,498	0.23%
Narcotic Treatment Program Licensing Trust Fund	\$1,330	\$0	\$1,330	0.19%
Indian Gaming Special Distribution Fund	\$3,259	\$0	\$3,259	0.49%
Audit Repayment Trust Fund	\$70	\$0	\$70	0.01%
Mental Health Services Fund (Prop 63)	\$510	\$0	\$510	0.08%
Residential and Outpatient Program Licensing Fund	\$1,596	\$0	\$1,596	0.24%
Federal Trust Fund	\$22,798	\$257,643	\$280,441	42.31%
Substance Abuse Block Grant	\$20,730	\$239,388	\$260,118	39.25%
Sale of Tobacco to Minors Control Account (SAPT)	-\$2,000	\$0	-\$2,000	-0.30%
Safe and Drug Free School	\$2,143	\$8,156	\$10,299	1.55%
Uniform Data Systems	\$321	\$0	\$321	0.05%
State Data Infrastructure Grant	\$100	\$0	\$100	0.02%
State Incentive Grant	\$0	\$0	\$0	0.00%
Access to Recovery Grant	\$1,208	\$6,384	\$7,592	1.15%
Ecstasy Grant	\$20	\$272	\$292	0.04%
SBIRT Grant	\$76	\$3,443	\$3,519	0.53%
State Epidemiological Outcomes Workgroup (SEOW)	\$200	\$0	\$200	0.03%
Resident Run Housing Revolving Fund	\$0	\$39	\$39	0.01%
Reimbursements	\$6,002	\$82,888	\$88,890	13.41%
DSS: Substance Abuse Svs. For Indian Health Clinics	\$157	\$1,943	\$2,100	0.32%
Drug Medi-Cal Regular	\$3,860	\$64,855	\$68,715	10.37%
Drug Medi-Cal Perinatal	\$228	\$4,438	\$4,666	0.70%
HIPAA	\$986	\$0	\$986	0.15%
CDC: Parolee Services Network	\$487	\$10,707	\$11,194	1.69%
Other	\$284	\$945	\$1,229	0.19%
TOTALS	\$58,342	\$604,445	\$662,787	100.00%

EXHIBIT D
Department of Alcohol and Drug Programs
Comparison
FY 2006-07 vs. FY 2007-08
(\$ IN THOUSANDS)

FUNDING SOURCE	FY 2006-07 BUDGET	FY 2007-08 GOVERNOR'S BUDGET	DIFFERENCE
General Fund	\$169,614	\$225,154	\$55,540
Non-Drug Medi-Cal Regular	\$6,764	\$7,043	\$279
Non-Drug Medi-Cal Perinatal	\$23,457	\$23,457	\$0
Drug Court Partnership Act	\$7,844	\$7,854	\$10
Comprehensive Drug Court Implementation Act	\$13,050	\$17,960	\$4,910
Dependency Drug Court	\$0	\$5,100	\$5,100
Parolee Services	\$8,900	\$8,900	\$0
Methamphetamine Prevention Campaign	\$10,000	\$10,000	\$0
Substance Abuse Offender Treatment Program	\$25,000	\$60,186	\$35,186
Drug Medi-Cal Regular	\$70,235	\$79,129	\$8,894
Drug Medi-Cal Perinatal	\$3,532	\$4,666	\$1,134
HIPAA	\$832	\$859	\$27
Substance Abuse Treatment Trust Fund (Prop 36)	\$120,000	\$60,000	-\$60,000
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,815	\$1,498	-\$317
Narcotic Treatment Program Licensing Trust Fund	\$1,124	\$1,330	\$206
Indian Gaming Special Distribution Fund	\$3,044	\$3,259	\$215
Audit Repayment Trust Fund	\$67	\$70	\$3
Mental Health Services Fund (Prop 63)	\$250	\$510	\$260
Residential and Outpatient Program Licensing Fund	\$0	\$1,596	\$1,596
Federal Trust Fund	\$283,638	\$280,441	-\$3,197
Substance Abuse Block Grant	\$259,769	\$260,118	\$349
Sale of Tobacco to Minors Control Account (SAPT)	-\$2,000	-\$2,000	\$0
Safe and Drug Free School	\$10,258	\$10,299	\$41
Uniform Data Systems	\$321	\$321	\$0
State Data Infrastructure Grant	\$100	\$100	\$0
State Incentive Grant	\$3,587	\$0	-\$3,587
Access to Recovery Grant	\$7,592	\$7,592	\$0
Ecstasy Grant	\$292	\$292	\$0
SBIRT Grant	\$3,519	\$3,519	\$0
State Epidemiological Outcomes Workgroup (SEOW)	\$200	\$200	\$0
Resident Run Housing Revolving Fund	\$39	\$39	\$0
Reimbursements	\$87,922	\$88,890	\$968
DSS: Substance Abuse Svcs. For Indian Health Clinics	\$2,100	\$2,100	\$0
DSS: Dependency Drug Court	\$4,800	\$0	-\$4,800
DHS: Drug Medi-Cal Regular	\$64,117	\$68,715	\$4,598
DHS: Drug Medi-Cal Perinatal	\$3,532	\$4,666	\$1,134
DHS: HIPAA	\$961	\$986	\$25
CDC: Parolee Services Network	\$11,183	\$11,194	\$11
Other	\$1,229	\$1,229	\$0
TOTALS	\$667,513	\$662,787	-\$4,726

