



## OFFICE OF THE GOVERNOR

December 5, 2011

### **An Open Letter to the People of California**

When I became Governor again -- 28 years after my last term ended in 1983 -- California was facing a \$26.6 billion budget deficit. It was the result of years of failing to match spending with tax revenues as budget gimmicks instead of honest budgeting became the norm.

In January, I proposed a budget that combined deep cuts with a temporary extension of some existing taxes. It was a balanced approach that would have finally closed our budget gap.

I asked the legislature to enact this plan and to allow you, the people of California, to vote on it. I believed that you had the right to weigh in on this important choice: should we decently fund our schools or lower our taxes? I don't know how you would have voted, but we will never know. The Republicans refused to provide the four votes needed to put this measure on the ballot.

Forced to act alone, Democrats went ahead and enacted massive cuts and the first honest on-time budget in a decade. But without the tax extensions, it was simply not possible to eliminate the state's structural deficit.

The good news is that our financial condition is much better than a year ago. We cut the ongoing budget deficit by more than half, reduced the state's workforce by about 5500 positions and cut unnecessary expenses like cell phones and state cars. We actually cut state expenses by over \$10 billion. Spending is now at levels not seen since the seventies. Our state's credit rating has moved from "negative" to "stable," laying the foundation for job creation and a stronger economic recovery.

Unfortunately, the deep cuts we made came at a huge cost. Schools have been hurt and state funding for our universities has been reduced by 25%. Support for the elderly and the disabled has fallen to where it was in 1983. Our courts suffered debilitating reductions.

The stark truth is that without new tax revenues, we will have no other choice but to make deeper and more damaging cuts to schools, universities, public safety and our courts.

That is why I am filing today an initiative with the Attorney General's office that would generate nearly \$7 billion in dedicated funding to protect education and public safety. I am going directly to the voters because I don't want to get bogged down in partisan gridlock as happened this year. The stakes are too high.

My proposal is straightforward and fair. It proposes a temporary tax increase on the wealthy, a modest and temporary increase in the sales tax, and guarantees that the new revenues be spent **only** on education. Here are the details:

- Millionaires and high-income earners will pay up to 2% higher income taxes for five years. No family making less than \$500,000 a year will see their income taxes rise. In fact, fewer than 2% of California taxpayers will be affected by this increase.
- There will be a temporary ½ cent increase in the sales tax. Even with this temporary increase, sales taxes will still be lower than what they were less than six months ago.
- This initiative dedicates funding **only** to education and public safety--not on other programs that we simply cannot afford.

This initiative will not solve all of our fiscal problems. But it will stop further cuts to education and public safety.

I ask you to join with me to get our state back on track.

A handwritten signature in black ink that reads "Jerry Brown". The signature is written in a cursive, flowing style with a long, sweeping underline.



# Transition Plan: Update

Transfer of the **Medi-Cal Specialty Mental Health Services** from the Department of Mental Health to the Department of Health Care Services, effective July 1, 2012.

Department of Health Care Services

November 15, 2011

processes for flow charting and process improvements. Examples include, but are not limited to: claims processing; cost settlements; fiscal audit processes and overlaps; chart audits; development timelines for flowcharting the above items; etc.

Status: This milestone is partially complete. The DHCS Office of Internal Audits coordinated the process by which it listed each function to transfer and flow chart using Internal Audit staff and program subject matter experts. Staff completed the flowcharting current processes on October 15, 2011. The next step of reviewing and approving the flowcharts is ninety percent complete, and staff has begun identifying and documenting potential efficiencies. Both departments are identifying which processes should involve stakeholders before making any changes.

### **Milestone #13 – Organizational Placement of Transferred Functions and Staff**

By October 2011, complete identification of organizational placement for each transferred DMH function and the reporting and supervisory relationships of staff associated with those functions.

Status: This milestone is partially complete. Executive and senior management staff of both departments met to identify all transferred functions and the related staff. DHCS is assigning former DMH staff with duties specific to existing divisions within DHCS to those respective divisions, e.g. Information Technology Services and Audits & Investigations (A&I). DHCS has assigned other DHCS-DMH staff to the newly created Mental Health Division. DHCS has determined 95 percent of organizational placement; however, DHCS is meeting with DHCS-DMH staff on the final structure and placement of staff within the newly created Mental Health Services Division. DHCS will complete this milestone in November 2011 rather than the previously scheduled October.

### **Milestone #16 – Implement Fully Executed Mental Health Plan Contracts**

Coordinate with DMH and the County Mental Health Directors' Association to finalize MHP contract boilerplate.

Status: Both departments have been working together to have boilerplate language for the DHCS contracts with county mental health plans, effective July 1, 2012. DHCS and DHCS-DMH staff established a workgroup to review and revise the MHP contract boilerplate and ensure compliance with federal and state laws and regulations. The workgroup developed and provided proposed contract boilerplate revisions to the California Mental Health Directors Association (CMHDA), which reviewed the proposed revisions and provided feedback. The workgroup met with CMHDA to discuss proposed revisions and CMHDA provided additional revisions during the meeting. The workgroup is now reviewing all of CMHDA's proposed revisions and will seek further CMHDA input prior to finalizing the MHP contract. DHCS will continue to collaborate with CMHDA to execute a MHP contract effective July 1, 2012.

### **Milestone #17 – Assessment of Medi-Cal Specialty Mental Health Contracts**

By October 2011, DMH will provide a list and copies of all current contracts associated with administration of Medi-Cal specialty mental health services.

Status: This milestone is partially complete. DMH provided an initial list of contracts. A workgroup consisting of staff from both departments is identifying the status of the contracts and determining: 1) if DMH can assign contracts to DHCS or whether they require procurement; and 2) which contracts require CMS approval. The workgroup will continue to meet during November.

### **Milestone #19 – Legal Issues and Court Decisions**

Beginning September 2011, DHCS Office of Legal Services (OLS) and DMH legal staff will collaboratively work on any lawsuits and/or active court cases relating to specialty mental health services.

Status: This milestone is complete. DMH legal staff provided a written summary of lawsuits and/or active court cases relating to specialty mental health services. Legal staff from both departments discussed the litigation and will continue to keep the lines of communication open throughout the transfer process.

By November 2011, DMH legal staff will provide DHCS with a list of key court decisions (and copies) applicable to the DMH administered Medi-Cal mental health programs.

Status: This milestone is complete. DMH legal staff provided a list of key court decisions (and copies) applicable to the DMH administered Medi-Cal mental health programs. DHCS legal staff will review each applicable court decision to ensure they have an understanding of all issues prior to the July 1, 2012 transfer effective date.

## **Key Milestones – Part B**

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### **Project Management:**

The administrative project management team developed the DHCS/DMH Transition Project chart to track the major administrative processes and key milestones associated with the transfer of Medi-Cal Related Specialty Mental Health Services from DMH. Major categories identified are Communications, Human Resources, Fiscal Management, Information Technology, Facilities & Space Planning, Flow Charting, and Training. View the chart [here](#) or visit the DHCS website at the following address: <http://www.dhcs.ca.gov/services/medi-Cal/Pages/MHTransitionPlan.aspx>. (Please note: The red vertical line in the chart identifies progress to date.)

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**All Staff Meetings:**

DHCS has conducted three (3) all staff meetings. The most recent meeting was on October 24, 2011, and the topics of discussion were transitioning staff survey results, information technology, space planning, the Transition Plan, and change management. On November 9, 2011, DHCS provided leadership and collaboration training for DHCS and DHCS-DMH supervisors and managers directly affected by the program transfer. DHCS will also conduct a New Employee Orientation for transitioning staff on November 17, 2011.

**DHCS Liaison:**

DHCS's Transition Liaison continues to hold daily office hours at the Bateson Building, participates in meetings, and provides on-site services to the transitioning employees.

**Other Communication:**

The Director's Office continues to hold regular monthly meetings with labor organization representatives to ensure successful communication continues throughout the process.

**Intranet:**

DHCS continues to link information as it becomes available – this ensures that all employees are kept up-to-date with the latest information relating to the transition and reorganization.

**Telecommunications, Leased Facilities, and Contract Management:**

On October 24, 2011, the Program Support Branch (PSB), Telecommunications and Leased Facilities Unit (TLFU) and the Audits & Investigations(A&I) Division presented the Relocation Plans for A&I's Oakland and Norwalk field offices at the staff meeting for transitioning audit staff.

The Oakland Relocation Plan will relocate DHCS-DMH staff from the 11<sup>th</sup> floor to existing space on the 4<sup>th</sup> floor in the Oakland field office located at 1515 Clay Street. The completion date for this relocation is December 31, 2011.

The Norwalk Relocation Plan will relocate DHCS-DMH staff from the Metropolitan State Hospital facility to the Santa Ana field office located at 1020 Civic Center Plaza. The completion date for this relocation is January 31, 2012; however, the move-in date Occupancy notice is dependent on the Department of General Services (DGS).

TLFU has also completed its review of available space in the East End Complex (EEC). With final determination where DHCS-DMH transitioning staff will physically reside within DHCS, TLFU can now complete an evaluation and assessment of available space and provide its recommendations to DHCS Administration regarding a restack plan.

On November 4, 2011, Program Support Branch (PSB), Contracts Management Unit (CMU) met with DHCS Office of Legal Services (OLS), DHCS Programs and DHCS-

DMH staff to discuss the status of contracts that will transfer to DHCS effective July 1, 2012. Pending receipt of the final list of contracts that will transfer to DHCS, DHCS Program staff will develop workgroups to address and work on contracts assigned to their respective areas. By November 30, 2011, CMU will develop and post a DMH/DHCS Transition Intranet site to share meeting minutes and Contract/Purchase Order copies.

#### **Information Technology Services:**

The IT transition team has successfully moved all e-mail accounts from DMH to DHCS. The team moved programs and business areas' computer files to the DHCS network. The DHCS, Client Technology Unit (CTU) on-site staff continue to provide support to all former DMH transitioning staff. The IT transition team is installing new printers and has workstations on order.

The IT transition team has hired new project management staff consultants and is meeting daily and weekly. The team is also drafting several project and technical documents and has submitted a Request for Offer (RFO) to hire an IT Systems Migration team.

#### **Human Resources and Labor Relations:**

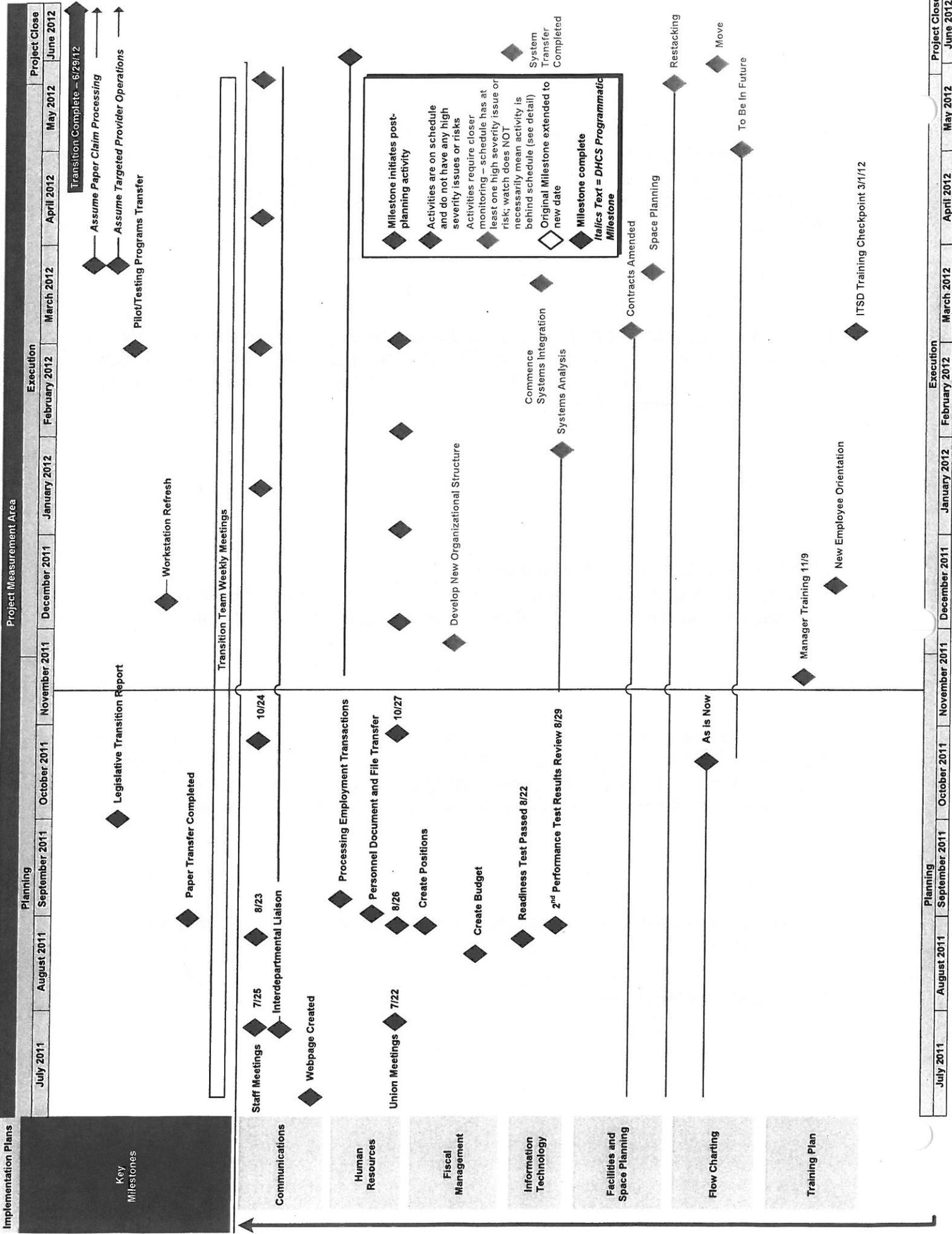
The DHCS Budget Section completed the necessary technical budget building processes to transfer 102 DMH staff/positions to DHCS on paper effective September 1, 2011. In addition, the DHCS Budget and Accounting sections developed a fiscal coding structure to identify the budget and expenditures related to the mental health programs associated with this transfer.

DHCS Human Resources secured all necessary employment records for the employees that transferred from DMH to DHCS. DHCS Human Resources is providing all human resources-related support services including consultation to program staff on development of the new organizational structure, position classifications, and any change to the essential functions of the transferring positions. On an as needed basis, DHCS Labor Relations staff has been meeting with union representatives for the transferring employees and program management to address any and all employee transfer concerns. DHCS Labor Relations is ensuring that the departments provide transferring employees with adequate notice of physical moves from one facility to another facility.

#### **Audits and Investigations:**

The Audits and Investigations (A&I) Division has completed flowcharting thirty-four DMH business practices. See Milestone #8.

# DHCS/DMH Administrative Transition Project





# Transition Plan: Update

Transfer of the **Drug Medi-Cal Treatment Program** from the Department of Alcohol and Drug Programs to the Department of Health Care Services, effective July 1, 2012.

Department of Health Care Services

November 15, 2011

# Overview

Assembly Bill (AB) 106 (Chapter 32, Statutes of 2011) transfers the administration of the Drug Medi-Cal Treatment Program from the Department of Alcohol and Drug Programs (DADP) to the Department of Health Care Services (DHCS), effective July 1, 2012. The law required DHCS to submit a written transition plan to the fiscal and applicable policy committees of the Legislature no later than October 1, 2011. DHCS submitted the transition plan as required, and it is available on the DHCS website.

[Click here](http://www.dhcs.ca.gov/services/medi-cal/Pages/DrugMedi-CalProgram.aspx) to review the transition plan, or visit the DHCS website at the following address: <http://www.dhcs.ca.gov/services/medi-cal/Pages/DrugMedi-CalProgram.aspx> for more information about the program transfer.

The October 1, 2011 transition plan is not the final plan, and DHCS committed to providing a bimonthly update beginning November 15, 2011. The updates will provide further detail on current and future transition activities and describe progress throughout this transition year. This first bimonthly update focuses on progress in meeting key milestones in the transition plan and does not discuss milestones or activities that the two departments expect to conduct later in the fiscal year. Future bimonthly updates will report on milestones for which there is reportable progress.

DHCS is committed to continuing ongoing stakeholder engagement and welcomes comments through a regularly monitored email address designated specifically for that purpose. Please provide any comments to [DHCSDRUGMEDI-CALTRANSFER@DHCS.CA.GOV](mailto:DHCSDRUGMEDI-CALTRANSFER@DHCS.CA.GOV).

## Key Milestones – Part A

### **Milestone #5 - Recruit and Hire Deputy Director and Division Chief**

By September 2011, develop a duty statement and begin recruitment. DHCS intends to have the new Deputy Director in place well before July 1, 2012, to provide critical leadership during the transition of staff and programming.

Status: This milestone is partially complete. DHCS developed the duty statement for the Deputy Director of Mental Health and Substance Use Disorder Services and posted it to the DHCS website on September 14, 2011. DMH also posted contact information on its website. DHCS has requested assistance from stakeholders in sharing information about the recruitment and arranged for several national mental health organizations to post the Deputy Director's duty statement on their websites. Several national organizations sent the duty statement directly to their membership. DHCS will continue the recruitment until it finds a well-qualified candidate.

### **Milestone # 8 – Legal Issues and Court Decisions**

By September 2011, DHCS Office of Legal Services (OLS) and DADP legal staff will collaboratively work on any lawsuits and/or active cases relating to the Drug Medi-Cal Treatment Program.

Status: This milestone is complete. Attorneys from both departments met on September 16, 2011 to discuss legal issues associated with the Drug Medi-Cal Treatment Program. The legal staff of both departments will continue to keep lines of communication open on legal issues throughout the transfer process.

By November 2011, DADP legal staff will develop a list and copy of key court decisions applicable to the Drug Medi-Cal Treatment Program and provide this list and copies to DHCS.

Status: This milestone is complete. DADP legal staff provided the information to DHCS on September 16, 2011. DHCS legal staff will review each applicable court decision to ensure they have an understanding of the issues prior to the July 1, 2012 transfer effective date.

### **Milestone #12 – Flow Charting and Process Improvement of Key Functions and Processes**

By October 2011, list each function to transfer to DHCS and identify the key associated processes for flow charting and process improvements. Examples include, but are not limited to: cost settlements; cost reports and other required reports; audit processes and overlaps; county encumbrance and payments; Drug Medi-Cal Treatment Program provider certification; Maintenance of the Master Provider File; and development timelines for flowcharting the above items.

Status: This milestone is partially complete. DADP staff created a list of functions that will transfer and have completed flow charts for approximately 50 percent of the identified Drug Medi-Cal Treatment Program functions. DHCS anticipates completing the remaining flow charts by the end of November 2011. The flow charting process is time consuming and complex, and delays for this milestone are the result of conflicting priorities for staff who must absorb this work along with their regular assigned responsibilities. DHCS will work with DADP to develop a timeline for transferring and implementing program functions once DADP has developed and approved all flow charts.

### **Milestone #14 – County and Direct Provider Contract Status**

By October 2011, DADP will provide a list and copy of all current Drug Medi-Cal Treatment program contracts to the DHCS, and update the list monthly.

Status: This milestone is complete. DADP provided the list of all county and direct provider contracts to DHCS in August 2011 and notified DHCS in October that the list had not changed. DADP has committed to providing a list of their current county and direct provider Drug Medi-Cal Treatment Program contracts

on a monthly basis to DHCS. Realignment activities for DADP, although technically unrelated to the July 1, 2012 program transfer of the Drug Medi-Cal Treatment Program to DHCS, may affect the State's ability to continue direct contracts with DADP providers. DADP has provided a copy of boilerplate contract language to DHCS. Both departments will continue to work together to ensure communication regarding current issues and expiration dates of all county and direct provider Drug Medi-Cal Treatment Program contracts.

## Key Milestones – Part B

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### **Project Management:**

The administrative project management team developed the DHCS/DADP Transition Project chart to track the major administrative processes associated with the transfer of the Drug Medi-Cal Treatment Program from DADP. The team identified the following major categories: Communications, Human Resources, Fiscal Management, Information Technology, Facilities & Space Planning, Flow Charting, and Training. The team has developed key milestones and incorporated them in the chart. View the chart [here](#) or visit the DHCS website at the following address: <http://www.dhcs.ca.gov/services/medi-cal/Pages/DMPTransitionPlan.aspx>. (Please note: The red vertical line in the chart identifies progress to date.)

### **Telecommunications, Leased Facilities, and Contract Management:**

In August 2011, the Telecommunications and Leased Facilities Unit (TLFU) met with the DADP Facility Manager to evaluate and assess program needs regarding storage, space, ergonomic and reasonable accommodation and parking. Further assessment and evaluation of available space in the East End Complex for DADP is pending final determination of the number of staff transitioning to DHCS.

### **Information Technology (IT) Services:**

The DHCS IT transition team has met with DADP IT several times. DADP has provided an overview of its IT systems. DADP also provided documentation of the SMART system and other DADP applications and business functions, and both departments continue discussions on strategies for migration.

### **Human Resources and Labor Relations:**

Effective July 1, 2012, staff in the designated DADP positions will begin reporting to DHCS. The transfer is complicated in that Drug Medi-Cal Treatment Program staff responsibilities spread across multiple DADP positions. For example, four full-time DADP positions, each funded 25 percent by Drug Medi-Cal Treatment (DMC) Program funds, perform DMC-related duties 25 percent of the time and non-DMC related duties 75 percent of the time. Therefore, it is not possible to easily identify the transferees. DADP will offer staff the ability to volunteer to transfer to DHCS. If too many or too few staff volunteer to transfer to DHCS, DADP will use state service seniority to make the final determination as to which staff transfer. DADP staff performing DMC-related duties 100 percent of the time will transfer with the position. DADP will generate state service seniority lists for affected DADP staff for this purpose.

The total number of positions is still under discussion in addition to the identification of the staff that will transfer to DHCS. However, once this occurs, DHCS will secure all personnel forms, Official Personnel Files, and all other necessary records for the employees transferring from DADP. DHCS Human Resources will process employment transactions to place the transferring employees onto the DHCS payroll and attendance automated systems no later than July 23, 2012 (the Master Payroll Cut-off for the July 2012 pay period).

DHCS Human Resources will provide a brief presentation in June 2012 (or earlier if feasible) to transferring employees to ensure completion of all forms required of employees new to DHCS. On an on-going basis, DHCS Human Resources will consult with program staff on the new organizational structure, position classifications, and any change to the essential functions of the transferring positions. Also, DHCS Labor Relations staff will be available to meet with union representatives for the transferring employees and program management to address any and all employee transfer concerns. DHCS Labor Relations will also ensure that the departments provide transferring employees with adequate notice of physical moves from one facility to another.

Until final determination of the total number of ADP positions and amount of funding to be transferred, DHCS Budgets will not complete the budget building processes to transfer the resources to the Department. This information will be final before the 2012 May Revision, and the DHCS Budget Section will work with the Department of Finance to proceed with the necessary workload for the July 1, 2012 transfer. DHCS also has to determine whether a unique fiscal coding structure is necessary for these programs or whether it can use existing codes.

# DHCS/DADP Administrative Transition Project

Project Measurement Area

Implementation Plans

Planning

September 2011

August 2011

July 2011

November 2011

October 2011

September 2011

August 2011

July 2011

Execution

February 2012

March 2012

April 2012

May 2012

June 2012

Project Close

Transition Complete = 6/29/12

Assume Paper Claim Processing

Assume Targeted Provider Operations

Pilot/Testing Programs Transfer

Legislative Transition Report

Position Transfer Decision

Communications

Webpage Created

Meetings with ADP staff

Internal Transition Team Meetings

Interdepartmental Liaison

New Employee Orientation

Human Resources

Monthly Meeting with Union 7/22, 8/26

Processing Employment Transactions  
Personnel Document and File Transfer

Fiscal Management

Develop New Organizational Structure

Create Budget

Information Technology

Readiness Test

**Milestone initiates post-planning activity**  
 Activities are on schedule and do not have any high severity issues or risks  
 Activities require closer monitoring - schedule has at least one high severity issue or risk; watch does NOT necessarily mean activity is behind schedule (see detail)  
 Original Milestone extended to new date  
**Milestone complete**  
*Italics Text = DHCS Programmatic Milestone*

System Transfer Completed

Facilities and Space Planning

Systems Assessment

Commence Systems Integration

Contracts Amended

Space Planning

Flow Charting

As is Now

Restacking

Move

Training Plan

To Be In Future

Staffing and Training Checkpoint 11/15

Planning

September 2011

August 2011

July 2011

November 2011

October 2011

September 2011

August 2011

July 2011

Execution

February 2012

March 2012

April 2012

May 2012

June 2012

Project Close