

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 07/23)

<b>Fiscal Year</b> 2025-26	<b>Business Unit Number</b> 4140	<b>Department</b> Department of Health Care Access and Information
<b>Hyperion Budget Request Name</b> 4140-090-BCP-GB-2025		<b>Relevant Program or Subprogram</b> 3831- Health Care Quality and Affordability

**Budget Request Title**  
Diaper Access Initiative

**Budget Request Summary**

The Department of Health Care Access and Information requests \$7,400,000 in 2025-26 and \$12,500,000 in 2026-27 to establish the Diaper Access Initiative. The Diaper Access Initiative will provide three months of free diapers for every baby born in California, regardless of income. These requested funds will support the procurement of diapers, direct program operations costs, warehousing and program management.

<b>Requires Legislation (submit required legislation with the BCP)</b> <input type="checkbox"/> Trailer Bill Language <input checked="" type="checkbox"/> Budget Bill Language <input type="checkbox"/> N/A	<b>Code Section(s) to be Added/Amended/Repealed</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b> N/A	<b>Date</b> N/A

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.**

**Project No.** N/A **Project Approval Document:** N/A

**Approval Date:** N/A **Total Project Cost:** N/A

**If proposal affects another department, does other department concur with proposal?**  Yes  No

*Attach comments of affected department, signed and dated by the department director or designee.*

<b>Prepared By</b> Darci Delgado	<b>Date</b> 1/10/2025	<b>Reviewed By</b> Vishaal Pegany	<b>Date</b> 1/10/2025
<b>Department Director</b> Elizabeth Landsberg	<b>Date</b> 1/10/2025	<b>Agency Secretary</b> Kim Johnson	<b>Date</b> 1/10/2025

**Department of Finance Use Only**

**Additional Review:**  Capital Outlay  ITCU  FSCU  OSAE  Dept. of Technology

<b>Principal Program Budget Analyst</b> Joseph Donaldson	<b>Date submitted to the Legislature</b> 1/10/2025
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**A. Problem Statement** *(Provide a clear problem statement and relevant background/history, including relevant legislation or prior BCP requests. Provide program resource history and workload history.)*

On average, 420,000 babies are born in the state of California each year. Each of these families, on average, spends around \$1,000 per year per baby on diapers. Diaper prices increased by 45% during the pandemic and have remained high despite supply chain recovery and decreased cost of materials. Almost half of U.S. families reported difficulty affording diapers and reducing other household expenses to afford diapers, with a quarter of families saying they skipped meals to afford more diapers. When families cannot afford diapers, they may delay changing or reuse soiled diapers, increasing health risks. Neither the Women, Infant's, and Children's Program (WIC), Medi-Cal, nor CalFresh benefits currently cover diaper purchases for non-medical needs. While diapers can sometimes be found at food banks their availability is inconsistent. Some regions operate diaper banks, but there is uneven coverage across all counties and regions in the state. No consistent, reliable, low- or no-cost diaper supplier is broadly available for California.

Below are prior state and federal budget appropriations and state legislative action to increase access to diapers:

A variety of federal and state funding streams currently contribute to low-cost or free diapers for individuals and programs across California:

- The 2021 Budget Act (Chapters 21, 69, and 240, Statutes of 2021) provided \$30M one-time, three-year funding for the California Diaper Bank Network.
- The 2024 Budget Act (Chapters 22, 35, and 994, Statutes of 2024) provided a \$9M one-time funding for the California Diaper Bank Network (via California Department of Social Services).
- CalWORKS program participants are eligible for a \$30 per month benefit to assist with diaper costs for each child under 36 months of age.
- The Federal End Diaper Need Act of 2021 provided \$200M nationwide to social services through 2025 for diapers and related supplies.
- The Diaper Distribution Pilot provided California \$1.2 million in federal aid community block grants in 2022. Under the pilot, the California Community Action Partnership Association is partnering with the National Diaper Bank Network and five local agencies to distribute diapers and connect families with other anti-poverty programs.

**B. Justification** *(Summarize how the requested resources will address the problem outlined in the Problem Statement Section. Provide justification for any requested contracting resources.)*

Created in January 2019 by Governor Gavin Newsom in his first Executive Order, CalRx (through the Department of Health Care Access and Information) leverages the purchasing power of the state of California to disrupt pharmaceutical industries and markets that have failed to lower product costs, even when generic, lower-cost options are available. The CalRx model has successfully lowered costs of lifesaving medications through offering drug products as close as possible to the actual costs to manufacture and distribute, providing the consumer with transparency and affordability. HCAI recently leveraged this approach for naloxone nasal spray. This same strategy is proposed for the diaper market. Families should not go into debt to afford essential necessities, and the Diaper Initiative will utilize the HCAI approach to offer no- and low-cost diapers to California families.

HCAI proposes a two-phase implementation of the Diaper Access Initiative: Phase 1) Procurement and distribution, via hospitals, of a three-month supply of free diapers to every baby born in California; and Phase 2) Creation of a commercial distribution model where California families could order low-cost diapers.

In Phase 1, HCAI will identify a partner in the procurement of approximately 168 million diapers per year to offer at no cost for every baby born in California. It is estimated that approximately 420,000 babies are born in California per year. This will offer the equivalent of 3 free months of diapers (400 diapers) to each baby born in the state. Activities will include:

- HCAI will identify a partner to distribute these diapers via all hospitals within the state of California. This distribution network will allow for hospitals to opt-in to this opportunity.
- HCAI will identify a partner to manage operational needs related to the Diaper Access Initiative, specifically: relationship building with hospitals, warehousing, inventory, shipping, managing orders, marketing of the program, and managing hospital needs.

In Phase 2, HCAI will begin exploration of a commercial distribution model where California families could order low-cost diapers.

Given the ramp up of the Diaper Access Initiative, HCAI anticipates a 2025-26 target of 40 million diapers distributed—covering approximately 25% of births in California—and a 2026-27 target of 80 million diapers distributed—covering approximately 50% of all births in the state.

**Phase 1 Cost (in millions)**

	<b>FY25/26</b>	<b>FY26/27</b>
<b>Number of diapers</b>	40 million	80 million
Diaper manufacturing cost	\$3.8	\$7.6
Warehouse	\$0.8	\$1.6
Direct program costs	\$1.6	\$2.2
Funds for RFI exploration of Phase 2 commercial distribution model	\$0.5	-
State operations	\$0.7	\$1.1
<b>TOTAL</b>	<b>\$7.4M</b>	<b>\$12.5M</b>

**C. Departmentwide and Statewide Considerations** *(Describe how this proposal will help achieve broader department-wide and/or statewide missions, goals, or strategic plans, including equity considerations. Please provide links to relevant initiatives, master plans, policy manual sections, etc. and highlight any operational, policy, or fiscal impacts this proposal will have on other state agencies.)*

This proposal and associated resources reflect the priorities of the Newsom Administration and of the California Health and Human Services Agency (CalHHS). Specifically, equity is a core value. This project will help address issues of poverty that limit a household's economic self-sufficiency. Families should not have to choose between food for their families and diapers for their baby. This initiative also tackles the economic and social factors that impact people's lives – specifically during a time of vulnerability – in the months after a family welcomes a new baby. This can be a stressful time for all family members, both emotionally, and economically, and this program will assist in creating more stability for households. This project will also ensure equitable distribution of this resource across all counties and regions of California, so that it is available for all Californians, not just those who live close to diaper or food banks.

**D. Outcomes and Accountability** *(Provide a summary of expected outcomes associated with the Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlined in the Problem Statement Section.*

Outcomes expected and workload metrics will include the onboarding of hospitals into the Diaper Access Initiative and the related number of diapers distributed across the state of California as described in the table below:

### Projected Outcomes

<b>Workload Measure</b>	<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>	<b>BY+3</b>	<b>BY+4</b>
Number of hospitals onboarded into Diaper Access Initiative	0	100	200	TBD	TBD	TBD
Diapers distributed	0	40 million	80 million	TBD	TBD	TBD

**E. Implementation Plan** *(Provide key milestones, deliverables, and timeline for implementation)*

- July 2025: Funds available for HCAI use.
- July 2025: Begin identification of potential partnership hospitals.
- Summer 2025: Begin onboarding potential partnership hospitals.
- Fall 2025: Launch distribution of diapers with manufacturing partner to early adopter hospitals.
- Fall 2025: Release RFI for Phase 2 development to explore potential commercial distribution partnerships.
- Winter 2025: Continue development of hospital partnerships, partnership development for Phase 2, and diaper distribution.
- Spring 2026: Select diaper manufacturing partner for Phase 2 of initiative.
- Summer 2026: Evaluate Year 1 goal of 40 million diapers distributed.
- Summer/ Fall 2026: Continue to build out partnerships with hospitals and distribution of diapers.
- Winter 2026/Spring 2027: Launch Phase 2 of initiative and continue development of distribution network.

**F. Supplemental Information (If Applicable)** *(Attach workload standards, organizational charts [both before and after resource request] and provide details to support costs including appropriate back up. Note for federal fund requests: to the extent possible, provide (1) proof of federal award, (2) information on state matching requirements and how they will be met, if applicable, and (3) compliance plans for meeting federal encumbrance/obligation and expenditure/liquidation deadlines.)*

# BCP Fiscal Detail Sheet

BCP Title: Diaper Access Initiative

BR Name: 4140-090-BCP-2025-GB

Budget Request Summary

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5340 - Consulting and Professional Services - External	0	7,400	12,500	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$7,400</b>	<b>\$12,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$7,400</b>	<b>\$12,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Fund Summary

### Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	7,400	12,500	0	0	0
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$7,400</b>	<b>\$12,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$7,400</b>	<b>\$12,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Program Summary

### Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
3831 - Health Care Quality and Affordability	0	7,400	12,500	0	0	0
<b>Total All Programs</b>	<b>\$0</b>	<b>\$7,400</b>	<b>\$12,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>