

**AGENDA  
SUBCOMMITTEE No. 1  
ON HEALTH AND HUMAN SERVICES**

**ASSEMBLYMEMBER PATTY BERG, CHAIR**

**WEDNESDAY, APRIL 23, 2008  
STATE CAPITOL, ROOM 437  
1:30 P.M.**

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## 4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

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### VOTE-ONLY ITEM

<b>ISSUE 1: SUBSET OF GOVERNOR'S BBR PROPOSALS</b>
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#### 1. Delete Supplemental Rate for Devereux

The Governor is proposing to eliminate the supplemental rate for the Devereux facility, located in Santa Barbara, which was provided by the Legislation in the Budget Act of 2000. The DDS states that eliminating this supplemental rate will save \$1.185 million (General Fund).

The DDS notes that Devereux has gradually reduced its services to consumers and the supplemental rate can no longer be justified. Further, due to audit concerns of the program at Devereux, the DDS states that the contract with Devereux was not executed in 2007-08.

#### 2. Proposals to Reduce DDS Headquarters Staff

The Governor is proposing a reduction of \$255,000 (\$128,000 General Fund) by eliminating a Psychologist and a Physician from the DDS headquarters office.

The Governor is proposing a reduction of \$158,000 (\$80,000 General Fund) by eliminating two positions—Community Program Specialist II's-- that provide support to the Regional Centers for the development of an annual Community Placement Plan. This proposal is the companion piece to the Regional Center reduction for administrative staff for the Community Placement Plan process which was done in Special Session as requested by the Governor.

In addition, the Governor is proposing a reduction of \$88,000 (\$46,000 General Fund) by deleting one position and re-designing the administrative appeals process. The workload would be absorbed by other positions within the section.

#### 3. Reduce Operating Expenses at DDS Headquarters

The Governor is proposing a reduction of \$1.418 million (General Fund) by reducing operating expenses, such as printing, general expense, communication and other expenses.

#### 4. Reduce Developmental Centers' Funding

The Governor is proposing a reduction of \$913,000 (Proposition 98/General Fund) by reducing certain contract expenditures. The DDS states that most of this reduction will occur on the natural with the closure of Agnews Developmental Center. Another piece of the reduction pertains to some classes received by residents of Sonoma Developmental Center.

The DDS has stated that this reduction will not in any way adversely affect any individual's right to a free and appropriate education. Instead there will be some restructuring of some educational offerings.

#### **5. Reduce Operating Expenses at DCs**

The Governor proposes a reduction of \$10.2 million (\$5.9 million General Fund) from the operating expenses and equipment area of the Developmental Center's budget, including the two community facilities operated by the DDS. Other than personal services, the Developmental Center budget consists of operating expenses and equipment, which includes items such as utilities, food, drugs, clothing, general expenses, staff travel, data processing, special repairs, communications, data processing, and legal settlements. These expenditures are essential for supporting operations and maintaining facilities.

The DDS states that their proposed reduction of \$10.2 million (\$5.9 million General Fund) would be achieved as follows:

- Reduce staff travel, contracts and equipment.
- Eliminate funds for an analysis to procure a health information system for the Developmental Centers.
- Eliminate the price increase of 2.4 percent for the operating expense base.
- Reduce other non-critical operating expenses through deferred purchasing preventive maintenance and repairs.
- DDS notes that these reductions in operating expenses will need to be assertively managed and will present some challenges. However, the challenges are more feasible to accomplish than affecting the direct care of consumers through staffing reductions.

#### **STAFF COMMENT**

Staff recommends approval of these BBR proposals in order to mitigate reductions in direct services. These approvals are intended to conform to the Senate's action taken on April 17, 2008 on these items.

## ITEMS TO BE HEARD

### ISSUE 1: DEPARTMENTAL BACKGROUND, PROPOSED FUNDING, AND SPECIAL SESSION ACTIONS

**Purpose and Description of Department.** The Department of Developmental Services (DDS) administers services in the community through 21 Regional Centers (RC) and in state Developmental Centers (DC) for persons with developmental disabilities as defined by the provisions of the Lanterman Developmental Disabilities Services Act. Almost 99 percent of consumers live in the community, and slightly more than one percent live in a state-operated Developmental Center. To be eligible for services, the disability must begin before the consumer's 18th birthday; be expected to continue indefinitely; present a significant disability; and be attributable to certain medical conditions, such as mental retardation, autism, and cerebral palsy.

The purpose of the department is to: (1) ensure that individuals receive needed services; (2) ensure the optimal health, safety, and well-being of individuals served in the developmental disabilities system; (3) ensure that services provided by vendors, Regional Centers, and the Developmental Centers are of high quality; (4) ensure the availability of a comprehensive array of appropriate services and supports to meet the needs of consumers and their families; (5) reduce the incidence and severity of developmental disabilities through the provision of appropriate prevention and early intervention service; and (6) ensure the services and supports are cost-effective for the state.

### DEVELOPMENTAL CENTERS

State Developmental Centers (DCs) are licensed and federally certified as Medicaid providers via the Department of Health Care Services. They provide direct services that include the care and supervision of all residents on a 24-hour basis, supplemented with appropriate medical and dental care, health maintenance activities, assistance with activities of daily living and training. Education programs at the DCs are also the responsibility of the DDS.

The DDS operates five Developmental Centers (DCs)—Agnews, Fairview, Lanterman, Porterville, and Sonoma. Porterville is unique in that it provides forensic services in a secure setting. In addition, the department leases Sierra Vista, a 54-bed facility located in Yuba City, and Canyon Springs, a 63-bed facility located in Cathedral City. Both of these facilities provide services to individuals with severe behavioral challenges.

**Funding and Caseload.** The budget proposes expenditures of \$669.4 million (\$357 million General Fund), excluding state support, to serve an average of 2,449 residents who reside in the state DC system. This reflects a caseload decrease of 171 residents or 6.5 percent, as noted in the table below. The most significant change in population is due to the DDS' closure of Agnews Developmental Center by June 30, 2008.

**Developmental Center Budget Year Population (Average)**

<b>Facility</b>	<b>Current Year</b>	<b>Budget Year 2008-09</b>	<b>Change</b>
Agnews DC	121	0	-121
Canyon Springs (community-based)	52	52	None
Fairview DC	560	527	-33
Lanterman DC	485	442	-43
Porterville DC	666	703	37
Sierra Vista (community-based)	51	50	-1
Sonoma DC	685	675	-10
<b>TOTAL</b>	<b>2,620</b>	<b>2,449</b>	<b>-171 Consumers</b>

**Transitioning to Community Services.** The population of California's Developmental Centers has decreased over time. The development of community services as an alternative to institutional care in California mirrors national trends that support the development of integrated services and the reduced reliance on state institutions.

The implementation of the Coffelt Settlement agreement resulted in a reduction of California's Developmental Center population by more than 2,320 persons between 1993 and 1998. This was accomplished by creating new community living arrangements, developing new assessment and individual service planning procedures and quality assurance systems. The United States Supreme Court decision in *Olmstead v L.C., et al (1999)* stated that services should be provided in community settings when treatment professionals have determined that community placement is appropriate, when the individual does not object to community placement, and when the placement can reasonably be accommodated.

<b>REGIONAL CENTERS</b>
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The DDS contracts with 21 not-for-profit Regional Centers (RCs) which have designated catchment areas for service coverage throughout the state. The RCs are responsible for providing a series of services, including case management, intake and assessment, community resource development, and individual program planning assistance for consumers. The budget provides funding for these administrative services through the "Operations" subcategory provided to Regional Centers.

RCs also purchase services for consumers and their families from approved vendors and coordinate consumer services with other public entities. Generally, RCs pay for services only if an individual does not have private insurance or they cannot refer an individual to so called "generic" services that are provided at the local level by the state, counties, cities, school districts, and other agencies. For example, Medi-Cal services and In-Home Supportive Services (IHSS) are "generic" services because the RC does not directly purchase these services. RCs purchase services such as (1) residential care provided by community care facilities; (2) support services for individuals living in supported living arrangements; (3) Day Programs; (4) transportation; (5) respite; (6) health care; and many other types of services. The budget provides funding for these services through the "Purchase of Services" subcategory provided to Regional Centers.

Services and supports provided for individuals with developmental disabilities are coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team consisting of the consumer, parent/guardian/conservator, persons who have important roles in evaluating or assisting the consumer, and representatives from the Regional Center and/or state Developmental Center. Services included in the consumer's IPP are considered to be entitlements (court ruling).

In addition, as recognized in the Lanterman Act, differences (to certain degrees) may occur across communities (Regional Center catchment areas) to reflect the individual needs of the consumers, the diversity of the regions which are being served, the availability and types of services overall, access to "generic" services (i.e., services provided by other public agencies which are similar in charter to those provided through a Regional Center).

**Funding and Caseload.** The budget proposes expenditures of \$3.8 billion (\$2.3 billion General Fund) for community-based services, provided via the Regional Centers, to serve a total of 220,600 consumers living in the community. This funding level includes \$525 million for RC operations and \$3.3 billion for the Purchase of Services, including funds for the Early Start Program and habilitation services. The budget assumes a caseload of 232,125 consumers for 2008-09.

## PROPOSED REDUCTIONS

The Governor declared a fiscal emergency on January 10th, utilizing the authority provided within the State Constitution as provided for under Proposition 58 of 2004. Under this authority, the Governor can call the Legislature into Special Session to deal with substantial revenue declines or expenditure increases, and to address the fiscal emergency. Other than utilizing remaining bond financing, the Governor has generally proposed a 10 percent across-the-board reduction approach to the fiscal emergency. With respect to the Department of Developmental Services (DDS), the Governor has proposed a reduction of almost \$1.8 million (General Fund) in the current year and \$286.4 million (General Fund) in the budget year. Each of the individual proposals are included in the table below.

**Legislature's Special Session Actions.** After hearings convened by both the Senate and Assembly, the Legislature took action to reduce the current-year shortfall of \$3.3 billion and converted it into a little over \$1 billion in General Fund reserve. In addition, the resulting projected budget year deficiency was reduced by \$7 billion, leaving an estimated shortfall of almost \$8 billion at this time. In addition, the actions of the Legislature provided \$8.6 billion in cash management solutions to enable the state to maintain its ability to pay its bills. With respect to actions taken regarding the DDS budget, the Legislature adopted the following reduction proposals of the Governor as noted in the last column in the table below.

In addition, as requested by the Governor, the Legislature also adopted \$400 million (General Fund) in cash management solutions regarding the Regional Centers. Specifically, the DDS will be delaying the two-month advance of \$400 million (General Fund) traditionally provided to the Regional Centers. This is a one-time only adjustment and means that the advance will be received in late September instead of earlier in August. The Legislature adopted the Governor's statutory changes as requested for the reductions specified in the table above. These statutory changes are contained in Assembly Bill 5 XXX, Statutes of 2008.

**Governor's Proposed "General Fund" Reductions to  
Department of Developmental Services**

<b>Program Area</b>	<b>Gov's Proposed CY Reduction</b>	<b>Gov's Proposed BY 2008-09 Reduction</b>	<b>Special Session Action</b>
<b>Community-Based Programs</b>			
1. Roll back Devereux Supplemental Rate		-\$1,185,000	
2. Family Cost Participation Expansion		-\$773,000	Approved
3. Cost Containment for Purchase of Services		-\$228,822,000	Approved
4. Ten Percent Reduction to Supported Employment		-\$7,740,000	
5. Reduce by Ten Percent Clients' Rights Advocacy		-\$512,000	
6. Regional Center Operations for Community Placement		-\$2,000,000	Approved
7. Cost Containment for Regional Center Operations	-\$660,000	-\$20,496,000	Approved
8. Reduce Regional Center Operations--HIPAA	-\$23,000	-\$71,000	Approved
<b>Subtotal</b>	<b>-\$683,000</b>	<b>-\$261,599,000</b>	
<b>Developmental Centers</b>			
1. Defer expansion at Porterville of 96-beds		-\$11,700,000	
2. Consolidate Regional Resource Development Projects		-\$663,000	Approved
3. Advocacy Services Agreements	-\$39,000	-\$119,000	Approved
4. Adjust Quality Assurance Fees for Closure of Agnews	-\$755,000	-\$2,288,000	Approved
5. Adjust Porterville Protective Services	-\$181,000	-\$547,000	Approved
6. Reduce Developmental Centers Operating Expenses		-\$5,871,000	
<b>Subtotal</b>	<b>-\$975,000</b>	<b>-\$21,188,000</b>	
<b>Developmental Centers Education Services</b>		<b>- \$913,000</b>	
<b>Headquarters</b>			
1. Reduce Information Systems Positions		-\$540,000	
2. Reduce Developmental Centers Positions		-\$148,000	
3. Reduce Clinical Staff at Headquarters		-\$128,000	
4. Reduce Support for Community Placement Plan		-\$80,000	
5. Reduce Fiscal Audit Appeals Staff		-\$46,000	
6. Reduce Operating Expenses of Headquarters		-\$1,418,000	
7. Reduce Fiscal Audits Program	-\$23,000	-\$71,000	Approved
8. Reduce Vendor Fiscal Audits Program	-\$96,000	-\$291,000	Approved
<b>Subtotal</b>	<b>-\$119,000</b>	<b>-\$2,722,000</b>	
<b>Governor's Proposed Reductions Total</b>	<b>-\$1,777,000</b>	<b>-\$286,422,000</b>	

**STAFF COMMENT**

Staff recommends that the Subcommittee take an action to affirm its decisions for Budget Year on the items adopted in the Special Session. These reductions were taken to mitigate possible cuts that may affect direct care services for consumers.



**ISSUE 2: CLOSURE OF AGNEWS DEVELOPMENTAL CENTER**

The Governor's budget reflects various adjustments related to the Administration's closure of the Agnews Developmental Center by June 30, 2008. These adjustments are reflected in both the Developmental Center item and Regional Center item of the Budget Bill due to the transitioning of consumers from Agnews to other living arrangements.

Overall, the DDS is proposing total expenditures of \$136.4 million (\$71.8 million General Fund), along with 76 state positions, related to the closure of Agnews. This expenditure figure includes \$31.1 million (\$4.2 million General Fund) in expenditures in the Developmental Center item, and \$105.3 million (\$67.6 million General Fund) in expenditures in the Regional Center item.

The total proposed expenditures of \$136.4 million (\$71.8 million General Fund) for 2008-09 reflect a reduction of \$23.8 million (\$26.4 million General Fund) as compared to the revised current-year.

**Background on Agnews Closure.** The plan to close Agnews Developmental Center was developed over a three-year period and formally submitted to the Legislature in January 2005. Enabling legislation to support the implementation of critical elements of the plan has been enacted, including Assembly Bill 2100 (Steinberg), Statutes of 2004, Senate Bill 962 (Chesbro), Statutes of 2005, Senate Bill 643 (Chesbro), Statutes of 2005, and Assembly Bill 1378 (Lieber), Statutes of 2005.

The Agnews Developmental Center Plan closure is different than the two most recent closures of Developmental Centers—Stockton DC in 1996 and Camarillo DC in 1997—both of which resulted in the transfer of large numbers of individuals to other state-operated facilities. In contrast, the Agnews Plan relies on the development of an improved and expanded community service delivery system in the Bay Area that will enable Agnews' residents to transition and remain in their home communities.

Among other things, the DDS proposes to achieve this improved and expanded community service delivery system by:

- Establishing a permanent stock of housing dedicated to serving individuals with developmental disabilities.
- Establishing new residential service models for the care of developmentally disabled adults.
- Utilizing Agnew's state employees on a transitional basis in community settings to augment and enhance services including health care, clinical services and quality assurance.
- Implementing a Quality Management System (QMS) that focuses on assuring that quality services and supports are available in the community, including access to health care services.

Total expenditures for the Developmental Center item are \$31.1 million (\$4.2 million General Fund), including 76 staff positions for 2008-09. This reflects a reduction of \$46.1 million (\$32.1 million General Fund) and 759 staff from the facility as compared to the revised current-year. It should be noted that the proposed DDS adjustments are contingent upon the development of resources in the community, including housing, to provide for the transition of the Agnews residents. DDS will be updating these figures at the May Revision to further refine the transition costs.

**The key budget adjustments for 2008-09 include:**

Agnews Budget Base. This includes the costs related to the base operations of Agnews DC including personal services to provide care to residents at Agnews, operating expenses for services and equipment costs. The budget reflects elimination of this funding since the DDS assumes closure by June 30, 2008 and the budget year commences as of July 1, 2008 (for the 2008-09 fiscal year). The elimination of funding assumes that all of the residents of Agnews have been appropriately transitioned to community-living arrangements or other Developmental Centers. However, as of March 26, the DDS shows that 162 people are still residing at Agnews. As such, it is unlikely that the DDS will be fully closing Agnews as of June 30, 2008.

Placements into the Community. This includes the savings resulting from the relocation of Agnews residents into the community. The DDS assumes that of the current-year beginning population of 220 residents will decrease by 204 residents in 2007-08 as people transition into the Bay Area Housing and related community-arrangements.

Consumer Transfers to Other Developmental Centers. The DDS assumes that ten people will transition from Agnews to another DC (such as Sonoma, Fairview or Lanterman).

State Employees in the Community and Outpatient Clinic. As provided for under existing statute, the DDS will fund certain state staff leaving Agnews in the community to facilitate residents transitioning. This includes funding for clinical staff and direct support staff. A total of \$4 million (\$192,000 General Fund) is proposed to continue the Primary Care Clinic and Closure Services. Trailer bill legislation was adopted in 2007 that requires this outpatient clinic and its related services to be provided.

Administrative Staff for Closure. The DDS will need staff for a three-month period (25 staff for 3 months equals 5 full-time equivalents) to transfer and store essential records in a confidential manner and chronicle and preserve historical documents after facility closure.

Warm Shut Down. This primarily includes funds for (1) 25 state staff to maintain the overall facility, (2) certain contracts, and (3) utilities at the facility. The DDS states that these resources are needed to maintain the Agnews facility, including security, utilities and supplies for 2008-09.

Regional Resource Development Projects. These projects help ensure residents experience a successful transition to community living arrangements and assist transitioned residents already residing in the community to maintain their living arrangements should difficulties arise. This level of funding would provide 13 positions.

Agnews Staffing Plan. This includes costs for non-level-of-care staff in various program areas to ensure adequate staff is maintained during the closure process, as well as maintaining the health and safety of residents.

**Closure Goal.** The proposed Agnews adjustments for 2008-09 are consistent with the Administration's updated plan provided to the Legislature on January 10, 2008, as required by statute. The Administration will be updating the Agnews plan at the time of the Governor's May Revision. It should be noted that though the DDS' budget assumes that all residents of Agnews are appropriately transitioned to community-living arrangements or other Developmental Centers, the actual DDS schedule does not reflect a complete transition by June 30, 2008.

According to the DDS, as of March 26, 2008, 162 consumers are residing at Agnews Developmental Center. As such, it is very unlikely that the DDS proposed closure date of June 30, 2008 will occur. Part of this delayed transition is attributable to the Bay Area Housing Plan bringing various living arrangements on board a few months later than anticipated.

**Budget Bill Language Authority and Modification.** Within the annual state Budget Act, there is "Budget Bill Language" that provides the Department of Finance (DOF) with authority to require the State Controller to transfer funds across the both the Regional Center item and the Developmental Centers item (both ways). This Budget Bill Language (under both items) enables the Administration to shift funds across items contingent upon Developmental Center resident population and Regional Center consumer population. This language enables state funding to more appropriately follow the individual needs of the overall population.

Specifically, this Budget Bill Language is under Item 4300-003-001, provision 3 (Developmental Centers), and Item 4300-101-0001, provision 1 (Community-Based, Regional Centers). As currently crafted, the language is as follows:

Provision 3 (Developmental Centers)

"Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-101-0001.

Provision 1 (Community-Based, Regional Centers)

"Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-003-0001.

Since existing Budget Bill Language provides for funding shifts between items, as noted above, it is expected that the DDS will manage within its overall budget to appropriately provide assistance to people as needed while transitioning. The DDS is in charge of administering the program. Conforming to Senate action on this issue on April 17, it is recommended that the Subcommittee ultimately act to modify the existing Budget Bill Language to ensure appropriate notification to the Legislature and content as to why the transfers are needed. This language will also provide more oversight of the Agnews Developmental Center closure.

The suggested revised Budget Bill Language is as follows (for both items):

"Upon order of the Department of Finance, the Controller shall transfer such funds as are necessary between this item and Item 4300-003-0001 (or 4300-101-0001 as applicable). Within 10 working days after approval of a transfer as authorized by this provision, the Department of Finance shall notify the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee of the transfer, including the amount transferred, how the amount was determined, and how the amount will be utilized."

**Agnews-Related Regional Center Costs.** A total increase of \$22.3 million (\$5.7 million General Fund) for Regional Center expenditures related to the Agnews closure is proposed for 2008-09. The purpose of this proposed increase is to provide for the ongoing housing, services and supports for people transitioning from Agnews. The budget assumes that an additional 134 people will be transitioned and then there will be the ongoing costs for the 70 people who were transitioned in the current year.

All of the Regional Center expenditures (both operations and the purchase of services) pertain to Community Placement Plans which are developed through discussions between the DDS and each Regional Center (mainly San Andreas, East Bay, and Golden Gate because of their catchment areas) and are based on individual planning efforts for consumers.

It should be noted that the Operations component includes expenditures for four Health Care Community Specialists who are responsible for the health plan coordination for people moving into the community from Agnews DC as approved by the Legislature 2007-08.

**Continued Implementation of the Bay Area Housing Plan.** One of the foundations of the Agnews closure plan is the development of sufficient community capacity to support the transition of Agnew's consumers into the communities that are close to their families. New service and support options are being created that provide choices for each person and reflect the needs of the individual.

The acquisition and development of housing is a critical element. Over 75 percent of the current Agnew's residents will move into Bay Area Housing Plan (BAHP) homes. According to the DDS' most recent housing development plan, a total of 195 consumers are anticipated to reside in BAHP homes as noted in the table below.

"SB 962" Homes. Senate Bill 962 (Chesbro), Statutes of 2005, directed DDS to establish a new pilot residential project designed for individuals with special health care needs and intensive support needs. Examples of health services that can be provided in this type of home include, but are not limited to, nutritional support; gastrostomy feeding and hydration; renal dialysis; and special medication regimes including injections, intravenous medications, management of insulin, catheterization, and pain management. Nursing staff will be on duty 24-hours per day. This pilot is a joint venture with the Department of Social Services (DSS) and will serve up to 120 adults, with no more than five adults residing in each facility. This pilot is to be limited to individuals currently residing at Agnews.

Specialized Residential Homes. These homes are designed for individuals with behavioral challenges or other specialized needs, and will serve from three to four consumers per home. These homes provide 24-hour on-site staff with specialized expertise to meet the unique needs of the individuals. These homes have the capability for on-site crisis response. It should be noted that when a majority of the consumers living in this model of home turns age 60, the home will need to be re-licensed as a Residential Care Facility for the Elderly (RCFE) (as required by state statute). Therefore, all BAHP Specialized Residential Homes will be constructed to address the physical plan requirements for an RCFE licensure.

Family Teaching Homes. Among other things, Assembly Bill 2100 (Steinberg), Statutes of 2004, added a new "Family Teaching Home" model to the list of residential living options. This new model is designed to support up to three adults with developmental disabilities by having a "teaching family" living next door (usually using a duplex). The teaching family manages the individual's home and provides direct support when needed. Wrap-around services, such as work and day program supports, are also part of this model.

**Summary of Bay Area Housing Plan (BAHP)**

<b>Type of Home</b>	<b>Number of Homes</b>	<b>Number of Residents</b>
"SB 962" Homes	24	87
Specialized Residential Home	24	71
Family Teaching Home	9	25
Residential Care Facility for the Elderly	4	12
<b>Total</b>	<b>61 Homes</b>	<b>195 Residents</b>

By specific Regional Center, DDS reports the following anticipated placements:

*Golden Gate Regional Center.* It is anticipated that a total of 34 consumers will reside in BAHP homes:

- "SB 962" Homes – 11
- Specialized Residential Homes – 20
- Residential Care Facility for the Elderly Facilities – 3

*San Andreas Regional Center.* It is anticipated that a total of 119 consumers will reside in BAHP homes.

- "SB 962" Homes – 56
- Specialized Residential Homes – 34
- Residential Care Facility for the Elderly Facilities – 4
- Family Teaching Homes – 25

*Regional Center of the East Bay.* It is anticipated that a total of 42 consumers will reside in BAHP homes.

- "SB 962" Homes – 20
- Specialized Residential Homes – 17
- Residential Care Facility for the Elderly Facilities – 5

There are several critical steps to the BAHP roll-out, including the acquisition of properties, closure of escrow, working with local zoning and building requirements which can vary across the various jurisdictions (i.e., 19 different local jurisdictions), obtaining providers to operate the homes and provide services, obtaining licensing approval, and working closely with consumers and their families.

**Individualized Health Plan for Each Consumer.** As part of their Individual Program Plan (IPP) process prior to transitioning from Agnews, each Agnews' resident will receive a comprehensive nursing and risk assessment which is comprised of over 60 health-related items. This assessment is then used to develop a Health Transition Plan that is incorporated into the IPP.

The Health Transition Plan specifically states how each health need will be met following transition from Agnews, as well as the provider of each service.

**Consumer "Post-Placement" Monitoring.** Upon an individual's move to a community living arrangement, state staff and Regional Center staff are to closely monitor the placement to ensure a smooth transition. Key monitoring activities include the following:

- State staff provide follow-up with the consumer at five days, 30 days, six months, and 12 months after the move;
- Regional Center staff conducts face-to-face visit every 30 days for the first 90 days after the move and as determined by the Individual Program Plan thereafter;
- State staff, in coordination with RC staff, provide additional visits, supports and onsite training to the consumer and service provider as needed to address the individual's service needs;
- For the first year following transition from a Developmental Center, consumers receive enhanced
- Regional Center case management. For Agnews Developmental Center residents, the enhanced case management is for two years;
- A Quality Assurance Council, consisting of family members, consumers, and providers has been convened to review and monitor the quality of services provided to consumers who have moved from Agnews;
- Medically fragile consumers transitioning from Agnews to homes licensed by the Department of Social Services for consumers with special health care needs will be visited by a nurse at least monthly, or more frequently as appropriate. In addition, these consumers will be seen by a physician at least every 60-days or more frequently if specified in the consumer's healthcare plan;
- For every individual who has moved from a Developmental Center since April 1995, an independent contractor evaluates the consumer's quality of care, programs, health and safety, and satisfaction; and
- The Organization of Area Boards conducts a Life Quality Assessment once every three years for every consumer living in an out-of-home community setting. These assessments assist in ensuring that people are receiving the services they need.

**Legislature's Actions From Budget Act of 2007.** Several actions were taken by the Legislature to strengthen various aspects of the Agnews closure in order to more comprehensively ensure the health and safety of people who are moving, and to assist in ensuring the life quality of people presently living in the community who have already transitioned from Agnews. A summary of these key actions are as follows:

- Augmented by \$503,000 (\$126,000 General Fund) to provide four new positions at the Regional Centers to serve as Health Care Community Specialists in the surrounding communities of Agnews. This is funded in the budget.
- Required the Secretary of the Health and Human Services Agency to verify detailed health care protocols across departments and programs to ensure continuity of consumer's health care and accountability within the Administration, as well as at the community level between Regional Centers and Medi-Cal Managed Care Plans. These have been completed.
- Required the Department of Health Care Services to appropriately fund Medi-Cal Managed Care Plans to provide health care services to people transitioning from Agnews.
- Required the DDS to continue operation of the Agnews DC Outpatient Clinic as stated in statute. DDS is continuing as required.
- Adopted comprehensive reporting requirements, including having the DDS provide the Legislature with a detailed report on the closure by January 10, 2009. This is in addition to the presently required update at the May Revision (May 15, 2008).

**STAFF COMMENT**

The proposed adjustments are consistent with the Administration's updated plan provided to the Legislature on January 10, 2008, as required by statute. The Administration will be updating the Agnews plan at the time of the Governor's May Revision. It is recommended to leave this issue, including the Budget Bill Language adopted in the Senate, open pending May Revise.

**ISSUE 3: UNBUDGETED COST GROWTH IN REGIONAL CENTERS**

The Governor's January budget did not account for anticipated cost growth of \$192.7 million (\$112.7 million General Fund) to the "Purchase of Services" within the Regional Centers budget for 2008-09 and the administration has indicated that it plans to address this deficiency fully in its own budget in the May Revision. Though no clear explanation of this cost growth has been provided by the administration, the DDS did release a report this month by Acumen and Associates regarding Regional Center expenditures from certain prior years (latest being 2005-06).

This report was intended to provide data regarding historical expenditures and service areas with increasing costs. However, even with the release of this report, the DDS has not been forthcoming as to how their \$192.7 million (\$112.7 million General Fund) was derived or the key aspects of this report which were of use to the Administration.

The DDS states that the current estimating model used to project the Purchase of Services expenditures projects significant growth in 2008-09 in certain categories, including (1) Community Care Facilities; (2) Day Programs; (3) Supported Services; (4) In-Home Respite; and (5) Miscellaneous Services. The DDS believes these particular Purchase of Services categories to be projecting cost increases above caseload growth and that utilization of services (i.e., number or frequency of services provided).

Specifically, the DDS assumes that the unbudgeted cost growth of \$192.7 million (\$112.7 million General Fund) comes from the following:

- Support Services \$127.9 million
- Community Care Facilities \$ 77.9 million
- Miscellaneous Services \$ 50.3 million
- Day Programs \$ 39.2 million
- In-Home Respite \$ 34.3 million

DDS contends that a number of factors could be responsible for increased costs including, but not limited to: (1) the transition of children from public school funding to Regional Center funding; (2) aging parents who require increasing support to maintain their adult children at home or who require their children to be placed out-of-home; (3) the increasing longevity of consumers requiring more support services; (4) the movement of consumers from Developmental Centers who require significant community-based services; and (5) the increase in children diagnosed with Autism, who often require specialized, expensive services.



<b>Regional Center Caseload Growth Trend</b>			
<b>Average Annual Population</b>		<b>Increase From Prior Year</b>	
<i>Fiscal Year</i>	<i>Caseload</i>	<i>Amount</i>	<i>Percent</i>
2001-02	172,714	9,101	5.6%
2002-03	182,175	9,461	5.5
2003-04	190,030	7,855	4.3
2004-05	197,355	7,325	3.9
2005-06	203,823	6,468	3.3
2006-07	211,180	7,357	3.6
2007-08 <sup>a</sup>	221,655	10,475	4.9
2008-09 <sup>a</sup>	232,125	10,470	4.7

Administration caseload estimate.

**Legislative Analyst's Office Comment.** The LAO believes that the Regional Centers are likely under-budgeted due to the DDS' proposed \$192.2 million (\$112.7 million General Fund) "unallocated" reduction. As such, the LAO recommends for the DDS to report at budget hearings on the specific causes for the increased utilization of services and costs. The LAO states that without accurate information, the Legislature lacks the information it needs to assess the causes of the growth in the program and to determine which policies would be most effective to contain these costs.

#### **STAFF COMMENT**

This large, unbudgeted cost growth is occurring despite the continued, and now permanent, imposition of cost containment proposals to curb Regional Center expense, which has been trending upwards for some time. With respect to the Governor's reductions for Purchase of Services funds, these cost containment measures included the following: (1) Freezing rates for Non-Community Placement Start-Up; (2) Freezing rates for Day Program, Work Activity, and In-Home Respite services; (3) Freezing rates for Community Care Facilities (CCF) and eliminating the SSI/SSP pass-through to these facilities; (4) Freezing all Regional Center negotiated rates and establishing limits for new negotiated rate programs and services; and (5) Freezing rates for Habilitation Services.

While the administration has indicated that it will fully fund the built-in, unbudgeted deficiency, it has not been able to provide specific information about how the costs are being generated and what it can do to control costs that may threaten the viability of other programs in a resource-scarce budgeting environment.

**ISSUE 4: GOVERNOR'S BBR – PROPOSAL TO DEFER EXPANSION AT PORTERVILLE DC**

The Governor proposes to defer any population expansion at Porterville DC for the "Secure Treatment Program" beyond the existing 300 beds for savings of \$11.7 million General Fund in 2008-09. The DDS is also proposing trailer bill language for this purpose.

The DDS' proposed savings comes from *not* utilizing the 96-bed residential expansion (6 units with 16-beds each) which is scheduled for completion in October 2008. Therefore, if the population of the Secure Treatment Program at Porterville is not increased, the DDS will not need to hire staff to provide for the active treatment and care of the population that would be needed if the population were increased.

The DDS trailer bill language is as follows:

*Add Section 7502.5. "The total number of developmental center residents in the secure treatment facility at Porterville Developmental Center shall not exceed 297."*

The DDS notes that no existing services to individuals residing at the Developmental Centers would be affected by this reduction proposal.

Through legislation enacted in 1999, Porterville is the designated DC for admissions of individuals with forensic and Penal Code-related offenses. A specific program, the Secure Treatment, was established for this population at the facility. There are presently about 300 residents in the Secure Treatment Program. Residents are usually court-ordered to the Secure Treatment Program.

The 96-bed expansion project is lease revenue bond funded by the state and managed by the Department of General Services. The state will be required to begin scheduled payments on the bond funding after construction is completed, the Fire Marshal has signed off and the bonds are sold. The DDS budget includes funding for the bond payments.

**RELATED BUDGET REQUEST**

**Request for Augmentation for Security on 96-Bed Expansion.** The DDS is requesting an increase of \$600,000 (General Fund) in one-time funding to acquire external perimeter security cameras for the Secure Treatment Program and the 96-bed expansion. The DDS states that the proposed external perimeter security cameras would work in conjunction with a security system that has already been approved as part of the construction design for the 96-bed expansion project.

**STAFF COMMENT**

Due to the severe fiscal situation, it is recommended that the Subcommittee ultimately approve the Governor's proposal to defer Porterville expansion and deny the \$600,000 General Fund request. However, although this is the preferred action at this time, the item will be held open until May Revision to allow for additional clarification and consideration for members of the Subcommittee.

**ISSUE 5: BBR – REDUCTION TO CLIENTS’ RIGHTS ADVOCACY**

The Governor has proposed to reduce the contract for Clients’ Rights Advocacy services by 10 percent. The current contract cost is projected to be \$5.1 million (General Fund). The Governor’s proposal would reduce this by \$512,000 (General Fund) for a total expenditure of \$4.6 million for 2008-09. The DDS states that the reduction would decrease the contractor’s ability to provide direct advocacy assistance and consultation to consumers and their families, as well as indirect assistance such as training and educational efforts.

Existing statute requires the DDS to contract with an outside entity for the provision of clients’ rights advocacy (Section 4433 of Welfare and Institutions Code). This was done to avoid any appearance of a conflict of interest (by the DDS or the Regional Centers). The DDS contracts with Protection and Advocacy, Incorporated through its Office of Clients’ Rights Advocacy for the statewide provision of clients’ rights advocacy to consumers served by the 21 Regional Centers.

**STAFF COMMENT**

Clients’ rights advocacy is a valuable and important service for consumers. However, funding for direct health care services should be prioritized in the current, challenged budget environment. The Organization of Area Boards, which is federally funded, also provides some clients’ rights advocacy assistance to people with developmental disabilities and their families. The Senate took action last week to approve the Governor’s reduction proposal.

**ISSUE 6: BBR – REDUCTION TO SUPPORTED EMPLOYMENT PROGRAMS**

The Governor is proposing a reduction of \$9.6 million (\$7.7 million General Fund) to reduce the 24 percent rate increase provided to Supported Employment Programs in the Budget Act of 2006, by 10 percent. The Governor's proposed 10 percent reduction would reduce the rate for job coach services from \$34.24 to \$30.82 per hour. Trailer bill language would be needed to implement this reduction. The savings level assumes a July 1, 2008 effective date. The Budget Act of 2006 provided a 24 percent increase in Supported Employment Programs to assist in the development of employment services for persons with developmental disabilities. Specifically, it was increased from \$27.62 per hour to \$34.24 per hour. This rate increase was expected to assist in the development of 600 additional new jobs annually. The DDS rate reduction does not assume any reduction in the number of consumers entering employment services.

Supported employment provides opportunities for persons with developmental disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. These services enable consumers to learn necessary job skills and maintain employment. Supported Employment Programs provide services for individually employed consumers (individual placements), as well as consumers employed in group settings (group employment). The caseload is affected by Regional Centers referring consumers for supported employment from "Work Activity Programs" (WAPs), Day Programs, schools or other programs. Caseload is also impacted by employment opportunities within the community and the ability of consumers to obtain and maintain employment. These factors are critical because these services are only purchased when the consumer is employed.

**STAFF COMMENT**

Given the questions and concerns raised around the impact of this proposal, it is recommended to hold this issue open pending receipt of the May Revision.

**ISSUE 7: PORTERVILLE CAPITAL OUTLAY PROJECT FOR 24 SATELLITE KITCHENS/DINING ROOMS**

The DDS is requesting an augmentation of \$18.3 million General Fund for the construction phase of renovating 24 satellite kitchens/dining rooms at Porterville Developmental Center. The DDS states that this construction phase will accomplish needed renovations for Porterville bring them up to code compliance. The 24 satellite kitchens/dinning rooms do not presently meet all health and safety standards for serving food. The satellite kitchen equipment is 22 years old and some of it is not fully operational.

All food is first prepared in the Main Kitchen and is then transported cold to the satellite kitchens for refrigeration until needed. The satellite kitchens are then used to warm, hold and serve the food. Tray and container storage, rethermalization ovens, holding and warming tables and other equipment in the satellite kitchens need to work in tandem with the Main Kitchen.

The Main Kitchen is being rebuilt using lease-revenue funds of \$25.4 million and has already been approved by the Legislature. DDS states that lease-revenue bonds cannot be used to fund the 24 satellite kitchens/dining rooms. This is because only one source of lease bond authority at a time can be used on any given structure. As such, only a small part of the building—the satellite kitchen/dining room—would actually be improved by these projects and thus preventing lease-revenue funded improvements to the rest of the structure while such bonds were being paid off.

**STAFF COMMENT**

The Legislature did approve funding for the construction of the Main Kitchen at Porterville using lease-revenue bonds of \$25.4 million (lease revenue bonds). Work is continuing on completion of the Main Kitchen where food is first prepared and packaged. The Legislature also approved the preliminary plans and working drawings for the 24 satellite kitchens/dining rooms at Porterville. According to an updated schedule, the construction start date would begin May 2009 with the project being completed by May 2011, assuming the appropriation of the \$18 million General Fund in this budget.

Staff recommends that this item be held open at this time, but notes a strong compulsion to conform to Senate action, where the \$18 million General Fund construction project was deferred until 2009-210. In light of this action and continuing exchange with the administration on the possibility of a down-sized proposal, holding open the item will allow more time for consideration.

**ISSUE 8: ADDITIONAL GOVERNOR'S BCPs FOR DC CAPITAL OUTLAY EXPENDITURES**

The DDS has forwarded the following Budget Change Proposals (BCP):

1. **Fairview DC – Air Condition School and Activity Center.** This BCP requests \$2.19 million General Fund to accomplish the construction phase of the project to purchase and install air conditioning systems for the Goodell School and Activity Center at Fairview DC. The preliminary plans and working drawing phases were funded in the current year budget. The estimated costs for this project are \$160,000 for the Preliminary Plans, \$178,000 for the Working Drawings, and \$2.19 million for Construction for a total project cost of \$2.53 million.

During the summer months, the temperatures in the Goodell School and the Work Activity Center buildings rise above 80 degrees by the early afternoon. This results in classes and workshops having to be cancelled or relocated. Warm temperatures in the buildings have been known to cause a higher incidence or unacceptable behavior such as aggression toward staff, peers, themselves, lethargy, and decreased productivity. Most of the consumers now being admitted to Fairview are adolescents and adults with significant behavioral challenges, which are exacerbated when they are asked to attend school or work in uncomfortably warm conditions.

2. **Fairview – Install Personal Alarm Locating System.** This BCP requests \$2.71 million General Fund to accomplish the construction phase of the project to purchase and install a new personal alarm locating system (PALS) at Fairview. The preliminary plans and working drawing phases were funded in the current year budget. The estimated costs for this project are \$239,000 for the Preliminary Plans, \$260,000 for the Working Drawings, and \$2.66 million for Construction for a total project cost of \$3.16 million.

PALS is a staff security device that provides a means for getting urgent help in an emergency. Each staff member carries a transmitter that allows them to signal for help when attacked by a consumer, when a consumer is involved in a physical altercation with another consumer, or when a medical emergency occurs.

3. **Fairview – Upgrade Fire Alarm System.** This BCP requests \$597,000 General Fund to prepare the preliminary plans for the purchase and installation of new addressable fire alarm systems (FAS) in consumer-utilized buildings at Fairview. The estimated costs for this project are \$597,000 for the Preliminary Plans, \$565,000 for the Working Drawings and \$8.47 million for Construction for a total project cost of \$9.63 million.

The project will upgrade the current old and inefficient FAS that have exceeded their life expectancy. The replacement parts of the current system are difficult to find and are no longer manufactured. The replacement of the FAS will bring Fairview into code compliance and will ensure the safety of the individuals living and working at the facility.

4. **Porterville – Install Personal Alarm Locating System.** This BCP requests \$3.18 million General Fund to accomplish the construction phase of the project to purchase and install a new personal alarm locating system (PALS) at Porterville. The preliminary plans and working drawing phases were funded in the current year budget. The estimated costs for



this project are \$278,000 for the Preliminary Plans, \$306,000 for the Working Drawings, and \$3.18 million for Construction for a total project cost of \$3.76 million.

5. **Sonoma – Install Medical Gasses and Oxygen Piping.** This BCP requests \$342,000 General Fund to prepare Preliminary Plans for the construction and installation of a new oxygen, suction, and medical gas piping system and oxygen storage tank at the Johnson/Ordahl building at Sonoma DC. The estimated costs for this project are \$342,000 for the Preliminary Plans, \$317,000 for the Working Drawings, and \$3.48 million for Construction for a total project cost of \$4.14 million.

This project will eliminate the use of portable suction machines and hazardous portable oxygen cylinders, which are currently in use to meet the needs of the consumers and gasses to technology dependent consumers. All of the other DCs are equipped with permanent piping and oxygen outlets for the majority of their dependent consumers.

<b>STAFF COMMENT</b>
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These proposals have need and merit, but still require the use of valuable and scarce General Fund at a time when direct services are being proposed for vast reductions across the board. Staff recommends holding these items open pending comprehensive perspective when the May Revision numbers and proposals can contextualize these needs further.