

SELECTED ISSUES: THE 1998-99 BUDGET PROPOSAL FOR: PEOPLE WITH DISABILITIES

One in five Americans lives with a disability. According to a recent U.S. Census Bureau report, there are now an estimated 54 million Americans with some form of a disability, or 20.6 percent of the population. An individual with a disability is someone who has: 1) a physical or mental disability that substantially limits one or more of the major life activities such as walking, seeing, hearing, etc., 2) a record of such an impairment, or 3) been regarded as having such an impairment. In California, there are approximately 5.49 million people with disabilities, nearly 17 percent of the State's 32.3 million residents.

Throughout the State budget, and primarily within departments under the Health and Welfare Agency, the State funds a multitude of programs and services designed to assist people with disabilities in leading productive lives, and oftentimes to allow them to live independently in their communities.

DEPARTMENT OF SOCIAL SERVICES

SSI/SSP: The Supplemental Security Income/State Supplementary Program provides cash assistance to nearly 1,075,000 eligible senior and disabled individuals. Persons who are disabled make up two-thirds of the caseload and those who are blind or visually impaired are another two percent of the caseload.

MAJOR PROPOSALS

The major budget proposals include:

- Still no implementation of 4.9 percent statewide grant reduction or 4.9 percent regional grant reduction adopted several years ago, but never implemented;
- Elimination of the state cost-of-living (COLA) adjustment for the SSI/SSP grant which would be 3.2 percent in 1998-99, for a General Fund savings of \$51.7 million; and
- A 2.6 percent, or \$13, federal cost of living increase applied to the SSI portion of the grant.

Currently, single individuals who rely on SSI/SSP assistance receive \$650 per month, while married couples receive \$1,156 per month. (For more details see the Social Services section of this *Preliminary Review*.)

IHSS: As a result of growth in caseloads, the Governor's budget proposes a 26 percent General Fund increase in the In Home Supportive Services program (IHSS). Under IHSS, seniors and people with disabilities can receive services such as meal preparation, laundry and house keeping, and other personal care assistance necessary to enable them to live in their own homes rather than more costly institutional settings. An estimated 211,300 individuals are expected to receive IHSS services in 1988-89.

The budget proposes an increase of \$128.3 million, of which \$36.5 million is from the General Fund, for the Personal Care Service Program. It also includes an increase of \$69.3 million, of which \$45 million is from the General Fund, for the Residual IHSS services. The proposal contains \$30 million to cover the cost of the upcoming minimum wage increase for IHSS workers.

Four counties (Santa Clara, San Francisco, Alameda and San Mateo) currently have exercised their option to use a Public Authority to deliver IHSS services. Under this mode, counties have the flexibility to improve their local IHSS service delivery in a way that is more consumer responsive and driven. Los Angeles and Contra Costa counties are expected to implement this service delivery mode in 1998. In a 1997 budget trailer bill, the law was clarified to require the state to pick up the county share of costs associated with a public authority, but no additional funding was provided. At this point, however, it is unclear whether the Governor's budget contains sufficient funds to cover these administrative costs.

(For more details see the Social Services section of this *Preliminary Review*.)

DEPARTMENT OF DEVELOPMENTAL SERVICES

The total budget for the Department of Developmental Services is projected at \$1,829.8 million for 1998-99, of which \$633.9 million comes from the State General Fund. Under the Lanterman Act, the department ensures individuals with developmental disabilities receive services and supports necessary to lead independent and productive lives in their home communities. The department accomplishes this mission with the assistance of 21 private, non-profit Regional Centers and five Developmental Centers.

The Governor's budget proposes to increase funding for the Department of Developmental Services by 10.6 percent, or \$175 million. Of this increase, \$166 million is proposed to be for community programs and services, for a 14.3 percent increase, and \$9.6 million would be allocated to Developmental Centers, for a 2.1 percent increase.

Under the Governor's proposal, General Fund spending increases by 15.9 percent, or \$86.8 million. Reimbursements are projected to grow significantly with Medi-caid waiver reimbursements increasing by 10.1 percent, or \$42.98 million, and Targeted Case Management reimbursements increasing by a staggering 40.5 percent, or \$34.1 million.

These reimbursement estimates are extremely fluid, however, as the Wilson Administration is in the early stages of negotiating a new Medi-Cal Home and Community-based Services Waiver with the Clinton Administration. In early December, the federal Health Care Financing Administration (HCFA) found that California was out of compliance with numerous statutory and regulatory requirements governing the health and welfare of waiver participants. The result of a lengthy compliance review, the HCFA findings put in jeopardy nearly \$250 million in federal health care funds matched with a comparable amount of state funds. The Wilson Administration uses the HCFA review to justify virtually all of the proposed increases in the Department's budget, as well as to predict additional new proposals to come later in the budget process.

The budget projects a slight 4.3 percent increase in Regional Center caseloads for a growth of 6,110 additional consumers while estimating a 6.6 percent, or 247 consumer, decrease in Developmental Center caseloads. While these estimates will change in May, the budget assumes 148,545 individuals with developmental disabilities will be served through the 21 Regional Centers and 3,498 individuals will be served in the five Developmental Centers.

MAJOR PROPOSALS

The major budget proposals for Regional Centers include:

- \$100 million for caseload, expenditure trend, and full-year funding for the minimum wage increase;
- \$31.1 million in 1998-99 as the first year of a two-year effort to reduce consumer-to-case manager ratios from an estimated 1:90 to 1:62. Under the Governor's proposal, a comparable amount would be provided in the 1999-2000 budget to achieve the new Regional Center staffing ratio;
- \$19.8 million, as the first year of a two-year program totaling \$72.3 million, to implement community care staff training standards and provide a 10 percent increase in wages for community care staff;
- \$5.3 million to implement the Department of Social Services' new Incidental Medical regulations which require a 1:3 staffing ratio for adults in community care facilities who require assistance for most daily living activities;
- A \$2 million augmentation to expand Supported Living services comparable to a proposal pursued by the Assembly Budget Committee in 1997, but no rate increase for existing Supported Living service providers;

- \$700,000 for additional regional Center staffing to meet the requirements of SB 1039 (Thompson); and
- No reasonable rate or wage increases for most service providers, such as residential and supported living, respite, day and work programs.

MAJOR PROPOSALS

The major spending proposals for the Developmental Centers include:

- \$31.1 million in the first year of a four-year \$106 million commitment to significantly increase Developmental Center staff. Of this amount, \$14.1 million to fund 700 positions which have intentionally been held vacant.

DEPARTMENT OF ALCOHOL & DRUG PROGRAMS

The Governor's budget proposes \$352.19 million in total spending for the Department of Alcohol and Drug Programs, a decrease of 8.48 percent from the current year's \$384.84 million. The bulk of this reduction is attributable to fewer federal funds being available in the budget year than were available in the current year. Federal funds are expected to decrease by \$20.3 million from \$232.5 million in 1997-98 to \$212.2 million in 1998-99, a reflection of a large amount of carryover funds in the current year which does not appear in the budget year. Additionally, state General Fund support for the Department is expected to decline by nearly \$5.9 million, reflecting the expiration of a number of small general grants which no longer require state General Fund match.

The Department of Alcohol and Drug Programs fund prevention, treatment and recovery programs for more than 300,000 Californians with some form of alcohol and/or other drug abuse problem. Of the \$352.2 million proposed budget, 92.8 percent, or \$326.8 million, is allocated to local governments and communities to provide treatment, recovery, and prevention services through a vast network of substance abuse service providers. The State Operations portion of the Department's budget is \$25.4 million which supports, among other things, 313 central staff positions.

The Governor's budget contains no new initiatives or major proposals for the Department of Alcohol and Drug Programs, including nothing to develop youth substance abuse treatment programs.

Drug Courts: A Drug Court provides a pre-trial and/or post-adjudication linkage between motivated participants, a judge specializing in drug cases, and a rigorous regimen of guaranteed services. Services range from an individual needs assessment, frequent counseling sessions and random urinalyses to coordinated and comprehensive rehabilitative and support services that address the underlying personal problems of the drug user and promote long-term re-entry into society. Eligible participants typically are nonviolent offenders with serious substance abuse problems,

most frequently those who use crack, cocaine, heroin, or methamphetamines. Drug Courts have proven to be highly effective at reducing recidivism rates among offenders. The recidivism rate for Drug Court participants ranges between five and 28 percent--and less than four percent for Drug Court graduates--compared to 45 percent of non-Drug Court defendants convicted of drug possession.

There are approximately 70 Drug Courts in 36 counties, with most small counties having none. Adequate treatment services are the essential ingredient of any Drug Court, but there are very few "treatment slots" available for Drug Court participants.

In the 1997 Budget Act, \$6 million of substance abuse treatment carryover funds were set aside, to be allocated at \$2 million per year for three consecutive years, to develop and expand treatment programs related to individuals who participate in Drug Courts. The proposed budget contains the second \$2 million installment of a three-year investment in substance abuse treatment related to individuals who participate in a Drug Court. However, it does not expand treatment services for this critical population, where the treatment needs are estimated at \$20 million statewide.

Welfare Reform: In the Department of Alcohol and Drug Program's proposed budget, there is no new proposal to offer substance abuse services for those transitioning from welfare to work. The Department's budget continues \$5 million in federal Substance Abuse and Prevention Treatment block grant funds that will be transferred to the Department of Social Services for allocation to county welfare departments for CalWORKS participants. The budget also includes \$3 million, of which \$1.5 million comes from each of the Department's of Health Services and Social Services, to cover the costs of substance abuse services for Medi-Cal eligible individuals participating in the CalWORKS program. The Department of Social Services' budget reflects a total of \$63.5 million, of which \$57 million is from the General Fund, to be allocated to county welfare departments for substance abuse treatment for CalWORKS participants.

DEPARTMENT OF REHABILITATION

The Governor's budget proposes to spend \$367.86 million for the Department of Rehabilitation's programs and services, of which \$125.8 million is from the General Fund, and \$231.66 million is from federal funds. This represents a .54 percent, or \$2 million, increase in overall spending.

The Department of Rehabilitation assists individuals with physical and mental disabilities in gaining meaningful employment and living independently in their communities. The Department has three primary programs: the Vocational Rehabilitation Program, the Habilitation Program, and the Independent Living Program.

The Vocational Rehabilitation Program, which is the primary focus of the Department, provides vocational counseling and guidance, training, and purchase of services necessary for consumers to achieve their employment goals. The Vocational Rehabilitation program, in which the state receives nearly four dollars for every state dollar, is projected to serve 80,537 individuals with disabilities in 1998-99 at a total cost of \$264.1 million, a minimal .05 percent increase over the current year.

However, approximately 2,200 individuals with disabilities are currently on waiting lists to receive services from the Department, and that number is expected to more than double growing beyond 5,000 people in the 1998-99 fiscal year. Under federal law, the Department is required to use an Order of Selection process under which priority is given to those with the most severe disabilities if there is insufficient funds to serve all eligible consumers. As proposed, the Governor's budget does nothing to relieve the waiting lists. It is estimated that the waiting lists could be eliminated and all individuals served for an additional \$4 million in General Fund support.

The Habilitation Program, which offers work activity programs to an estimated 16,343 individuals with developmental disabilities, is budgeted at \$88.27 million, an increase of 2.1 percent, over the \$86.44 million appropriated in the current year. The third major program, Centers for Independent Living, assist nearly 42,700 individuals with all types of disabilities in finding accessible housing, attendant services, and other supports necessary to live independently in their communities, and is budgeted at \$9.7 million for 1998-99. This proposed amount includes the \$2.9 million General Fund augmentation inserted by the Legislature in the 1997 Budget Act.

Rate Increase: During the recession of the early 1990s, rate adjustments were not provided to community-based programs which provide work activity program and supported employment services; in fact, rates were frozen well below actual costs of doing business. In the 1996 Budget Act, the Legislature set aside \$8.9 million for program rate adjustments in an attempt to fully restore funding to the pre-recession levels. However, the Governor vetoed \$3 million of the funds set aside for the rate increase. The Legislature also commissioned a study and directed the Department to establish a new rate setting methodology. A new rate setting methodology has not yet been established.

The 1997 budget agreement did not offer funds to increase rates or statutory language to continue the rate freeze. As a result, litigation is pending which, if successful, could cost the General Fund upward of \$5 million.

Once again, the Governor's budget does not fund a rate increase for 1998-99, but does propose suspending the statute for a General Fund savings of \$10.9 million.

DEPARTMENT OF MENTAL HEALTH

The Governor's budget proposes total spending of \$1.264 billion, or 1.9 percent more than in the current year, to support the programs and services of the Department of Mental Health. Of this amount, slightly more than \$570 million, or 45 percent, comes from the General Fund. The Department of Mental Health is responsible for the delivery of mental health treatment services through a state-county partnership as well as the involuntary treatment of the mentally disabled. It operates four state hospitals for the mentally disabled and acute psychiatric units at the California Medical Facility in Vacaville. The Department expects to house 4,172 individuals with psychiatric disabilities in the four State Hospitals, 78 percent of whom will be there as a result of a Penal Code violation or have been judicially committed.

MAJOR PROPOSALS

The Governor's budget contains the following major proposals for the Department of Mental Health:

- \$35 million in lease revenue bond funding for the construction of a 250 bed addition at Atascadero State Hospital;
- \$2.1 million for 49 additional security officers and related support staff at Napa State Hospital and another \$234,000 for six more peace officers at Atascadero State Hospital;
- \$2.6 million to add 90 inpatient beds for Penal Code related individuals at the California Medical Facility at Vacaville;
- \$9.8 million for mental health services to seriously emotionally disturbed children who are eligible for the Healthy Families Program;
- No new funding proposals to expand mental health services to CalWORKS participants. In the Department of Social Services' budget, the Governor proposes to spend \$18 million, of which half is from the General Fund, for mental health services for CalWORKS participants; and

- No funding increase for the 11 Caregiver Resource Centers. These centers, which have not received an increase since 1989, offer critical family support, including specialized consultation, support groups, and in-home respite care for seniors and younger functionally-impaired adults who have Alzheimer's, other dementing disorders, and other acquired brain impairments. It is estimated that a \$5 million augmentation would allow these centers to serve an additional 3,300 families currently on waiting lists for in-home respite care and expand services, including into unserved geographic areas of the state.

EDUCATION

Beyond health and welfare programs, there are two educational areas of importance in the development and independence of people with disabilities, one in the K-12 portion of the budget and the other in the higher education budget.

Special Education: Last year, AB 602 (Davis), Chapter 854, Statutes of 1997, created a new funding formula for the allocation of Special Education funds. The new law attempts to allocate funds to local educational agencies based on placement neutral student needs rather than based on available resources driving student placement. The Governor's budget reflects the implementation of the new formula. A total of \$45.9 million in additional Proposition 98 funds is provided, including \$7.1 million for special program funding adjustments per the new law, \$49.3 million for growth and a \$10.6 million offset to reflect an increase in property tax revenues provided to the local education agencies.

Disabled Student Services: Through AB 1571 (Ducheny), Chapter 928, Statutes of 1997, last year's Budget Restoration bill, the Legislature augmented the Disabled Student Programs and Services in community colleges by \$3.7 million. This augmentation was in response to a \$17 million need to cover increase costs of providing services, such as sign language interpreters, note takers, and other supports essential to the academic success of students with disabilities. These legally-mandated services have not kept pace with the commensurate need throughout this decade. This is a problem throughout California's higher education system. The Governor's budget proposes nothing to address these shortfalls.

(For more details see the Education and Higher Education sections of this *Preliminary Review*.)