California State Assembly

Agenda

Assembly Budget Subcommittee No. 2 on Human Services

Assemblymember Dr. Corey Jackson, Chair

Wednesday, February 28, 2024
1:30 P.M. – State Capitol, Room 126
(Please note room change)

Items To Be Heard

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5160	**Department of Rehabilitation (DOR)**	
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Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Panels

5160 Department of Rehabilitation

Issue 1: DOR Department Overview

- Joe Xavier, Director, Department of Rehabilitation
- Omar Sanchez, Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 2: Governor's Budget Change Proposal on Voice Options Program

- Joe Xavier, Director, Department of Rehabilitation
- Omar Sanchez, Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

4300 Department of Developmental Services

Issue 3: DDS Department Overview

- Nancy Bargmann, Director, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 4: Governor's Proposed Delay of Service Provider Rate Reform

- Carla Castaneda, Chief Deputy Director, Operations and Pete Cervinka, Chief, Data Analytics and Strategy, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Barry Jardini, Executive Director, California Disability Services Association
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Mark Melanson, Executive Director, California Community Living Network
- Judy Mark, President, Disability Voices United and Parent of Person Served by a Regional Center

Issue 5: Governor's Proposal for a Master Plan for Developmental Services

- Nancy Bargmann, Director, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

- Sascha Bittner, Self-Advocate, Member of the PAVE Stakeholder Advisory Group
- Marty Omoto, Parent/Family Member & California Disability-Aging Community Action Network (CDCAN)
- Will Leiner, Managing Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Amy Westling, Executive Director, Association of Regional Center Agencies

Issue 6: Implementation of 2023 Equity Changes and Goals and Path Going Forward

- Brian Winfield, Chief Deputy Director, Program Services and Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Vivian Haun, Senior Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Judy Mark, President, Disability Voices United and Parent of Person Served by a Regional Center
- Fernando Gomez, Parent and Co-Founder, Integrated Community Collaborative
- Michi Gates, Executive Director, Kern Regional Center

Issue 7: Social Recreation and Camp Services Implementation Oversight

- Brian Winfield, Chief Deputy Director, Program Services, Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Vivian Haun, Senior Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Daniel Antunez, Self-Advocate, Integrated Community Collaborative
- Patrick Ruppe, Executive Director, Harbor Regional Center

Issue 8: Individual Program Plan and Individual Family Service Plan Meetings Governor's Trailer Bill Proposal

- Brian Winfield, Chief Deputy Director, Program Services, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Will Leiner, Managing Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Rubi Saldana, Parent & Co-Founder-ICC Community Integradora, Integrated Community Collaborative
- Lori Banales, Executive Director, Alta California Regional Center

Issue 9: Self-Determination Program Update and Participant Choice Specialists Positions Elimination

- Vicki Smith, Deputy Director, Policy and Program Development Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Judy Mark, President, Disability Voices United and Parent of Participant in the Self-Determination Program

Issue 10: Governor's Proposal to Delay Preschool Inclusion Grants

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 11: Home and Community-Based Services (HCBS) Federal Final Rule Compliance Oversight

- Vicki Smith, Deputy Director, Policy and Program Development Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 12: HCBS American Rescue Plan Act (ARPA) Funding, Expenditures, and Plans for Full Utilization Oversight

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 13: Family Cost Participation Program and Annual Family Program Fees Governor's Trailer Bill Proposal

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 14: Governor's Trailer Bill Proposal on Probability Sampling and Statistical Extrapolation

- Pete Cervinka, Chief, Data Analytics and Strategy, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 15: Porterville Capital Outlay Proposal in Governor's Long-Term Infrastructure Plan

- Carla Castaneda, Chief Deputy Director, Operations, Department of Developmental Services
- Randall Katz, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Items To Be Heard

5160 Department of Rehabilitation

Issue 1: DOR Department Overview

Department Purpose and Mission. The Department of Rehabilitation (DOR) works in partnership with consumers and other stakeholders to provide direct services and advocacy prioritizing employment, independent living, and equality for individuals with disabilities. DOR provides services to over 130,000 Californians with disabilities annually to obtain, retain, and advance in employment with competitive wages in integrated settings, and to maximize equality and the ability to live independently in communities of their choice.

Budget Overview for DOR. The Governor's Budget includes $576.3 million total funds ($85.2 million General Fund) for DOR programs related to vocational rehabilitation and independent living services. The table below provides an overview of DOR's funding from current year to the proposed Governor's Budget for 2024-25.

	FY 2023-24	FY 2024-25	Difference
Vocational Rehabilitation Services			
General Fund	$84,154,000	$77,063,000	($7,091,000)
Vending Stand Fund	$3,361,000	$3,361,000	$0
Federal Trust Fund	$464,488,000	$459,782,000	($4,706,000)
Reimbursements	$8,080,000	$8,080,000	$0
Opioid Settlements Fund	$3,896,000	$0	($3,896,000)
Total, Vocational Rehabilitation Services	**$563,979,000**	**$548,286,000**	**($15,693,000)**
Independent Living Services			
General Fund	$17,893,000	$8,163,000	($9,730,000)
DDTP Admin Committee Fund	$0	$3,657,000	$3,657,000
Federal Trust Fund	$16,205,000	$16,202,000	($3,000)
Reimbursements	$3,657,000	$0	($3,657,000)
HCBS ARP Fund	$1,384,000	$0	($1,384,000)
Total, Independent Living Services	**$39,139,000**	**$28,022,000**	**($11,117,000)**
Total Funding			
General Fund	$102,047,000	$85,226,000	($16,821,000)
DDTP Admin Committee Fund	$0	$3,657,000	$3,657,000
Vending Stand Fund	$3,361,000	$3,361,000	$0
Federal Trust Fund	$480,693,000	$475,984,000	($4,709,000)
Reimbursements	$11,737,000	$8,080,000	($3,657,000)
Opioid Settlements Fund	$3,896,000	$0	($3,896,000)
HCBS ARP Fund	$1,384,000	$0	($1,384,000)
Total, All Funds	**$603,118,000**	**$576,308,000**	**($26,810,000)**

The 2024-25 proposed budget reflects a $26.8 million ($16.8 million General Fund) reduction primarily due to one-time appropriation for programs such as Demand Side Employment Initiative, Integrating Employment in Recovery, Community Living Fund, and HCBS TBI. The $16.8 million General Fund reduction also includes $1.6 million due to delay in supported employment job coaching services rate increase to conform with the 2024-25 Governor's Budget proposal to return full implementation of DDS Service Provider Rate Reform to the original timeline, with the next rate adjustment occurring July 1, 2025, rather than July 1, 2024.

DOR Positions. The table below reflects the current status of position authority for DOR.

	Authorized	**Filled**	**Vacant**
Program*	1,629.0	1,460.3	168.7
Administrative	251.0	224.9	26.1
Total, All Positions	**1,880.0**	**1,685.2**	**194.8**

*Program includes direct service delivery staff located within approximately 80 DOR offices throughout California.

Overview of Major DOR Programs.

Vocational Rehabilitation (VR) Program. The Vocational Rehabilitation Services Program delivers vocational rehabilitation services to individuals with disabilities through vocational rehabilitation professionals in district and branch offices located throughout the state so that individuals with disabilities may prepare for and engage in competitive integrated employment and achieve economic self-sufficiency. In addition, DOR has cooperative agreements with state and local agencies (secondary and postsecondary education, behavioral/mental health, and welfare) to provide services to consumers.

Since November 2020, DOR has been serving eligible individuals in all disability categories. Individuals with disabilities who are eligible for DOR's vocational rehabilitation services may be provided a full range of services, including vocational assessment, assistive technology, vocational and educational training, job placement, supported employment, and independent living skills training to maximize their ability to live and work independently.

VR services are funded with 78.7 percent federal dollars and 21.3 percent matching funds, part of which are provided by General Fund and part by public agencies through DOR's cooperative program agreements. Federal law requires DOR to set aside no less than 15 percent of the federal VR grant to provide pre-employment transition services (also known as Student Services) to students with disabilities ages 16-21. DOR Student Services include job exploration counseling, work-based learning experiences, postsecondary education counseling, workplace readiness training, and instruction in self-advocacy.

The 2023 Budget Act includes an increase of $180 million in federal fund authority over the next three fiscal years ($60 million each year beginning in 2023-24 through 2025-26) to expand

Vocational Rehabilitation services to individuals with disabilities. As of October 2023, DOR has 117,542 participants in the DOR's vocational rehabilitation program, which represents a 16 percent increase from 2022. Out of 117,542, 44,991 participants are receiving DOR Student Services, which represents an 18 percent increase.

Blind/Visually Impaired Programs. DOR, through its Business Enterprises Program, provides comprehensive training and technical assistance to enable individuals who are blind or visually impaired to support themselves in the operation of vending stands, snack bars, and cafeterias. Prevocational, including employment readiness, services are provided by the Orientation Center for the Blind to consumers with vision loss to prepare them for independent living.

DOR administers the federal Older Individuals Who Are Blind (OIB) program that supports 16 non-profit community-based organizations throughout California that provide blindness-related independent living services necessary to assist visually impaired consumers age 55 or older to live independently and be productive in their communities. Core services consist of low vision evaluations/screenings, assistive technology devices and training, orientation and mobility, communication skills, independent living skills training, self-advocacy, adjustment counseling, transportation, and supportive services. AB 2480 (Arambula), Chapter 532, Statutes of 2022, expands similar services to adults aged 18 to 55 who are blind and who previously were not eligible for OIB or VR programs.

Disability Innovation Fund Programs. DOR administers the Pathways to Success Project (PSP) to increase competitive integrated employment outcomes, economic self-sufficiency, independence, and inclusion, through a unique service delivery design supported by sector-specific teams specializing in high-wage, high-skill, and high-demand careers for individuals with disabilities. The PSP, which is a pilot research project, is particularly targeted at underrepresented communities, including people of color, women, and individuals with intellectual or developmental disabilities.

In addition, DOR administers the California Subminimum Wage to Competitive Integrated Employment Project (CSP) to provide a comprehensive set of interventions and supports to increase competitive integrated employment outcomes, independence, economic self-sufficiency, and inclusion for individuals with the most significant disabilities currently in, or contemplating entering, subminimum wage employment. The CSP, which is a pilot research project, will establish evidence-based approaches to vocational rehabilitation service delivery that will improve the employment outcomes of its participants, transitioning more workers with disabilities into competitive integrated employment.

The 2023 Budget Act includes $11.2 million in federal fund authority over four years for the CSP. In just five months since its launch, there are 38 participants with intellectual or developmental disabilities enrolled in the program, benefitting from services such as disability support classes, career exploration, work experience, and career technical education to gain competitive integrated employment. The program remains on track to meet the goal of serving 400 participants before the end of the grant period in September of 2027.

Integrating Employment in Recovery (IER) Program. DOR received $4 million from the Opioid Settlements Fund to administer the Integrating Employment in Recovery program to provide training to the provider workforce on evidence-based practices to serve people with substance use disorders (SUD) related to opioid use that can be incorporated as a part of holistic recovery. The training focuses on incorporating the full range of vocational rehabilitation services into treatment delivery as part of a whole-person approach to recovery and developing supports for individuals returning to or transitioning into work during and following treatment.

Independent Living Program. DOR provides funding, administers, and supports 28 non-profit independent living centers in communities located throughout California. Each Independent Living Center provides services necessary to assist consumers to live independently with full inclusion in their communities. Core services consist of information and referral, peer counseling, individual and systems change advocacy, independent living skills, housing assistance, personal assistance referral services, transition and diversion services to community-based living, and transition services to postsecondary life for youth.

Community Living Fund. DOR administers the Community Living Fund program that provides transition or diversion services to individuals to support community-based living which enables older adults and people with disabilities to access funding to move from an institutional setting to the community or to support individuals who are at risk of going into an institution to remain in their community.

The 2022 Budget Act includes $10 million General Fund one-time, available over three years to assist eligible older adults and persons with disabilities in transitioning from nursing homes to an independent living community. As of November 27, 2023, DOR has served 258 individuals with institutional transition and diversion services through grants with 30 community-based organizations throughout the state. Of those that were served, 237 individuals are receiving services to prevent them from going into an institutional setting and 21 individuals are receiving services to transition from an institution to independent living in the community.

Traumatic Brain Injury (TBI) Program. DOR administers and supports the Traumatic Brain Injury (TBI) Program. In coordination with consumers and their families, six service state funded providers throughout California provide a coordinated post-acute care service model for individuals with TBI, including supported living, community reintegration, vocational supportive services, public awareness, and support for family, friends, and professionals within the TBI community. DOR also works with the federal government to administer a TBI partnership grant with which a state TBI Advisory Board has been established for the purpose of creating a TBI state plan, sustainability plan, statewide TBI registry, and needs assessment.

HCBS Spending Plan - TBI Program. DOR expanded the capacity of existing TBI sites and stood up six new TBI sites in alignment with American Rescue Plan Act (ARP) Home and Community-Based Services (HCBS) Spending Plan surrounding transition and diversion through community reintegration, personal care services through supported living services, and other supportive services to improve functional capabilities of individuals with TBI.

With the utilization of the $5 million HCBS Spending Plan funding, DOR expanded the capacity of six existing TBI sites and granted funding to six additional TBI sites in unserved/underserved areas. These 12 TBI sites provide five core services designed to increase independent living skills to maximize the ability of individuals with TBI to live independently in a community of their choice. These core services are also preventative as many TBI survivors who do not have access to a network of services and supports are at a higher risk of chronic homelessness, institutionalization, imprisonment, and placement in skilled nursing facilities due to an inability to perform activities of daily living and impaired emotional regulation.

DOR anticipates fully spending the HCBS Fund by December 31, 2024. As of December 2023, $2.8 million have been spent.

Assistive Technology (AT) Program. DOR administers the California AT Program through federal Assistive Technology Act of 2004 funds and Social Security Reimbursement funds. The AT Program includes device lending and demonstrations, equipment reutilization, and AT information and referral and technical assistance.

Voice Options Program. Through a partnership with the California Public Utilities Commission's Deaf and Disabled Telecommunications Program, DOR's Voice Options program provides eligible Californians who are unable to speak, or who have difficulty speaking, with a free speech-generating device. The goal of this program is to ensure full and equal telephone communications access for all Californians with disabilities. The Governor's Budget includes a Budget Change Proposal on this program that will heard as the next issue in this agenda.

Implications for DOR Programs of Governor's Proposal for Delay of Full Implementation of Service Provider Rate Reform. DOR shares mutual consumers and many of the same service providers with DDS in the provision of Supported Employment job coaching. Job coaches are a vital and necessary service for many job seekers with the most significant disabilities, including intellectual and developmental disabilities. DOR has rate setting authority (California Code of Regulations, Title 9, Section 7321) and has historically adopted the rates that DDS has set for job coaching services. Delaying DOR's job coaching rate increase to conform with DDS ensures there is no disparity in the service rates paid to the same providers working with DOR and DDS. DOR is currently not expecting that the delay in the full implementation of the rate reform will have an immediate impact on the number of DOR consumers receiving job coaching services in the coming year.

Phase-out of subminimum wages. Competitive integrated employment (CIE) is the goal for all recipients of vocational rehabilitation services offered by DOR, including those with the most significant disabilities currently employed and receiving a subminimum wage. To support the transition from subminimum wage to CIE, and informed choice, DOR provides career counseling and information referral services; these individualized, person-driven services include job discovery, career exploration, identification of transferable skills, attendance at regional center planning meetings to advocate for CIE, education on the vocational rehabilitation (VR) process, and assistance with applying for VR services. In 2022-23, 131 DOR consumers enrolled in the VR program who had previously been receiving subminimum wages achieved a CIE outcome.

The remainder continue to receive individualized employment and related services towards achievement of their CIE goals as outlined in their Individual Plan for Employment (IPE).

DOR continues to provide Career Counseling, Information, and Referral services and conducts outreach to encourage individuals to seek CIE by engaging with DOR, regional centers, and or community partners. DOR and DDS are closely partnering to identify the populations and individuals who are transitioning out of subminimum wage employment and the specific job sites where they work. This ongoing effort will support efforts to reach every single individual who may benefit from services towards the achievement of CIE before the phase out of subminimum wage.

Panel

Request for the Panel:

◊ Please provide an overview of major DOR programs and any major budget changes for 2024-25 of which the Legislature should be aware.

- Joe Xavier, Director, Department of Rehabilitation
- Omar Sanchez, Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: This is an informational item and no action is necessary.

Issue 2: Governor's Budget Change Proposal on Voice Options Program

Review of the Voice Options Program Budget Change Proposal (BCP). The proposal is for $3.6 million ongoing from the Deaf and Disabled Telecommunications Program (DDTP) Administrative Committee Fund and 3.75 positions to administer the Voice Options program, a statewide Supplemental Telecommunications Equipment (STE) program and 0.25 positions to oversee the federal Assistive Technology Program with existing resources. In February 2023, the California Public Utilities Commission (CPUC) made the Voice Options Program permanent, and this proposal will provide the Department of Rehabilitation with ongoing funding and staff resources to continue serving individuals with speech disabilities by providing speech generating devices to gain independence and direct access to the telecommunication network. DOR states that 1,260 people are expected to be impacted with long-term speech generating device loans as a result of this BCP.

CPUC granted DOR $7.2 million to establish and oversee the Voice Options Program. The rapid growth in consumers served from 2020-21 to 2022-23 was due to the program being new to DOR, which resulted in a ramp up of services over a three-year period. The initial year was program implementation, which included developing program policies and procedures, as well as the selection of providers. In the subsequent two years, the program helped demonstrate and identify the community need for the program.

DOR collaborated with CPUC to assess the demand for services in future years. The program's annual target of 1,260 devices is determined by the needs and outcomes demonstrated in Year 3 (2022-23). The CPUC oversees the Deaf and Disabled Telecommunications Program (DDTP) Administrative Committee Fund (0483) balance and programs. The fund supports access to telecommunication for people with disabilities, with the Voice Options Program administered by DOR being only one of multiple programs funded.

Panel

Request for the Panel:

◊ Please describe the BCP and explain the numbers of DOR clients served. Please explain the nature of the devices and what impact they have had and will have on people's lives.

- Joe Xavier, Director, Department of Rehabilitation
- Omar Sanchez, Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

4300 Department of Developmental Services

Issue 3: DDS Department Overview

Department Purpose and Mission. The Department of Developmental Services (DDS) is responsible for administering the Lanterman Developmental Disabilities Services Act (Lanterman Act). The Lanterman Act provides for the coordination and provision of services and supports to enable people with intellectual and developmental disabilities (IDD) to lead more independent, productive, and integrated lives. Additionally, the Early Start Program provides services to infants and toddlers at risk of having a developmental disability. DDS carries out its responsibilities through contracts with 21 community-based, non-profit corporations known as regional centers (RCs), as well as through state-operated homes and facilities. RCs coordinate and pay for the direct services provided to “consumers” (the term used in statute). Services are delivered by a large network of private for-profit and nonprofit providers. In addition to state General Fund and some smaller funding sources, these services are purchased in part through federal funding obtained through the Medicaid HCBS waiver.

Lanterman Act Lays Foundation for “Statutory Entitlement.” California’s Lanterman Developmental Disabilities Services Act (Lanterman Act) originally was passed in 1969 and substantially revised in 1977. It amounts to a statutory entitlement to services and supports for individuals ages three and older who have a qualifying developmental disability. Qualifying disabilities include autism, epilepsy, cerebral palsy, intellectual disabilities, and other conditions closely related to intellectual disabilities that require similar treatment, such as traumatic brain injuries. To qualify, an individual must have a disability that is substantial, expected to continue indefinitely, and which began before the age of 18. There are no income-related eligibility criteria.

Caseload. The number of individuals served by regional centers (consumers) is expected to be 429,453 in the current year and increase to 458,228 in 2024-25. In addition, 302 individuals are projected to be served in state-operated facilities as of July 1, 2024.

	FY 2023-24	FY 2024-25	Difference
Caseloads			
State Operated Services	302	302	0
Regional Centers	429,453	458,228	28,775
Departmental Positions			
State Operated Services	1,912.2	1,969.9	57.7
Headquarters	712.0	708.0	-4.0

Budget Overview for DDS. The following is a high-level chart from DDS showing fund sources and differences from current year to the proposed Governor's Budget for 2023-24.

(Dollars in Thousands)

Community Services Program	FY 2023-24*	FY 2024-25	Difference
Regional Centers	$13,212,140	$14,809,088	$1,596,948
Total, Community Services	**$13,212,140**	**$14,809,088**	**$1,596,948**
General Fund	$7,842,039	$9,557,907	$1,715,868
Program Development Fund	$434	$434	$0
Developmental Disabilities Services Account	$150	$150	$0
Federal Trust Fund	$57,470	$57,470	$0
Reimbursements	$4,459,265	$5,192,387	$733,122
Mental Health Services Fund	$740	$740	$0
HCBS ARPA	$502,237	$0	($502,237)
HCBS ARPA Reimbursements	$349,805	$0	($349,805)
State Operated Services			
Personal Services	$260,182	$284,624	$24,442
Operating Expense & Equipment	$66,966	$63,945	($3,021)
Total, State Operated Services	**$327,148**	**$348,569**	**$21,421**
General Fund	$291,327	$313,524	$22,197
Lottery Education Fund	$100	$100	$0
Reimbursements	$35,721	$34,945	($776)
Headquarters Support			
Personal Services	$123,686	$119,602	($4,084)
Operating Expense & Equipment	$51,820	$36,892	($14,928)
Total, Headquarters Support	**$175,506**	**$156,494**	**($19,012)**
General Fund	$109,301	$101,096	($8,205)
Federal Trust Fund	$2,979	$3,010	$31
Program Development Fund	$451	$452	$1
Reimbursements	$53,487	$51,425	($2,062)
Mental Health Services Fund	$511	$511	$0
HCBS ARPA	$6,523	$0	($6,523)
HCBS ARPA Reimbursements	$2,254	$0	($2,254)
Total, All Programs	**$13,714,794**	**$15,314,151**	**$1,599,357**
Total Funding			
General Fund	$8,242,667	$9,972,527	$1,729,860
Federal Trust Fund	$60,449	$60,480	$31
Lottery Education Fund	$100	$100	$0
Program Development Fund	$885	$886	$1
Developmental Disabilities Services Account	$150	$150	$0
Reimbursements	$4,548,473	$5,278,757	$730,284
Mental Health Services Fund	$1,251	$1,251	$0
HCBS ARPA	$508,760	$0	($508,760)
HCBS ARPA Reimbursements	$352,059	$0	($352,059)
Total, All Funds	**$13,714,794**	**$15,314,151**	**$1,599,357**

*FY 2023-24 includes $1.3 million Control Section 19.565 funding
*FY 2023-24 does not include $10.75 million for CPP reappropriation (GF).

DDS Positions. The table below reflects the current status of position authority for DDS.

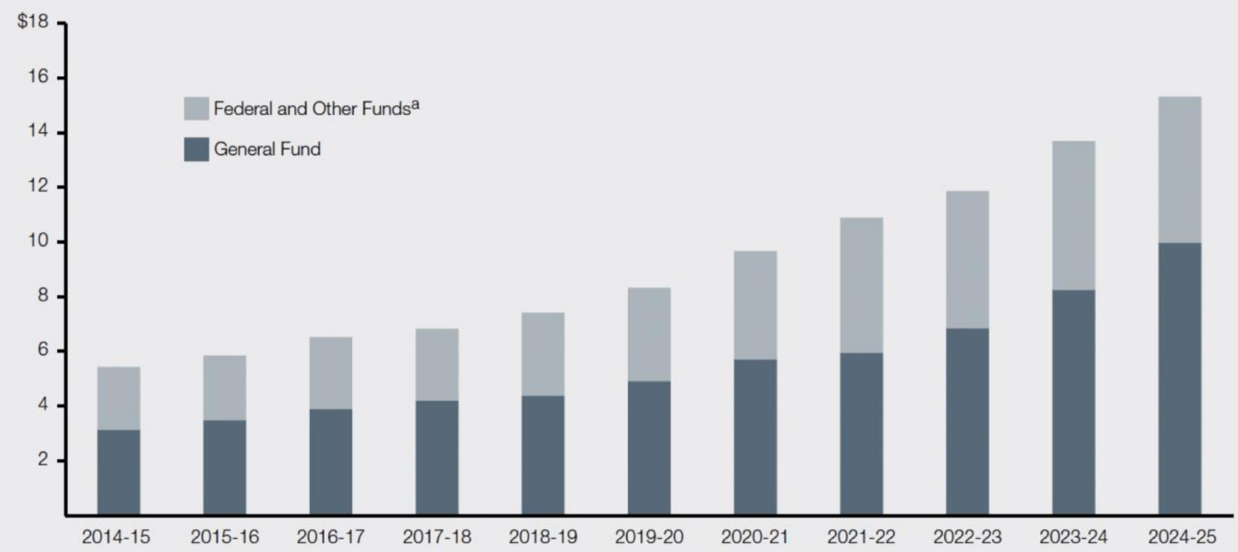
Location	Authorized[1]	Filled[2]	Vacant[2]
CANYON	236.0	174.0	62.0
FDC	52.0	34.0	18.0
HQ	705.5	643.5	62.0
PDC	1,358.0	944.0	414.0
STAR	266.3	148.0	118.3
	2,617.8	1,943.5	674.3

[1]As of June 30, 2023
[2]As of January 31, 2024

Of the 674 vacancies, a majority are in active recruitment. Hiring is particularly challenging for clinical staff at the Porterville Developmental Center Secured Treatment Area and STAR homes due to nationwide workforce issues. The funding for vacancies is utilized for overtime and staff registry costs needed to maintain operations at these facilities.

Proposed Budget Reflects Significant Growth. The Governor's budget proposal includes $15.3 billion total funds in 2024-25, up $1.6 billion (12 percent) over the revised 2023-24 level ($13.7 billion). Of the proposed 2024-25 total, $10 billion is from the General Fund, up $1.7 billion (21 percent) over the revised 2023-24 level ($8.2 billion General Fund).

Department of Developmental Services Spending Continues to Grow Rapidly
(In Billions)



[a] The bulk is federal Medicaid funding, with minor other federal and state special funds.
Note: 2023-24 amounts are estimated and 2024-25 amounts are proposed.

This significant year-over-year growth in overall DDS spending follows the spending growth trend over the past ten years, as shown below. The average annual growth rate in total funds over the past ten years is about 11 percent. Primary drivers of the year-over-year General Fund growth include rising caseload and increased utilization of services. The relatively higher growth rate in General Fund costs in 2024-25 is due to the expiration of pandemic-era federal funds.

California Early Intervention Services Act Ensures Services for Eligible Infants and Toddlers. DDS also provides services via its Early Start program to any infant or toddler under the age of three with a qualifying developmental delay or who are at risk of developmental disability. There are no income-related eligibility criteria. As of December 2023, DDS serves about 56,000 infants and toddlers in the Early Start program.

Regional Centers Coordinate and Pay for Individuals' Services. As mentioned, DDS contracts with 21 nonprofit regional centers, which coordinate and pay for the direct services provided to "consumers" (the term used in statute). Services are delivered by a large network of private for-profit and nonprofit providers. In addition to state General Fund and some smaller funding sources, these services are purchased in part through federal funding obtained through the Medicaid Home- and Community-Based Services (HCBS) waiver. The HCBS waiver provides Medicaid funding for eligible individuals to receive services and supports in their home and community-based settings, rather than in institutions.

State Recently Began Implementing a Major Overhaul of Service Provider Rates. For decades, the state paid DDS direct care staff (sometimes referred to as direct service professionals) according to a rate structure deemed by the Legislature to be outdated and overly complicated. In an attempt to modernize and rationalize this structure, the Legislature passed legislation to authorize DDS to commission a study of service provider costs to guide the development of a new rate structure. This study, commonly referred to as "the rate study," was published in January 2020. The 2021-22 budget initiated a five-year plan to phase in that study's rate models. The 2022-23 budget accelerated this phase in to become a four-year plan, with full implementation of the new rate system scheduled for July 1, 2024. Budget-related legislation to implement the accelerated phase-in plan requires providers to use a specified percentage of rate increases to raise the wages, salaries, or benefits of direct care staff.

Once Fully Implemented, Rate Reform Must Include New Quality Incentive Structure. Following full implementation of the new rate system, statute requires that 10 percent of each service provider rate be reserved for a "quality incentive payment." These payments are to be tied to performance metrics specific to each category of provider. These metrics and associated standards are to be determined by a workgroup of stakeholders led by DDS. Prior to the full implementation of the quality incentive payment as 10 percent of the total rate, the state began providing some smaller quality incentive payments on top of providers' baseline rates in 2022-23.

The rate reform and quality incentive issues are discussed further under Issue 4 of this agenda.

Panel

Questions for the Panel:

◊ Please describe the reasons for the rising caseload and increased utilization of services in the developmental services system.

◊ What are the reasons why purchase of services dollars are underspent? Does this have a relationship with the fulfillment of services as included and required in the Individual program plan?

- Nancy Bargmann, Director, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Staff Recommendation: This is an informational item and no action is necessary.

Issue 4: Governor's Proposed Delay of Service Provider Rate Reform

Background to Rate Reform. The rate study initiated in 2016 was undertaken, in part, because the historical rate structure did not result in funding levels for service providers that kept pace with system growth or supported an adequate supply of providers. A series of rate freezes and rate reductions—beginning in the early 2000s as budget solutions—meant that the rates had not kept up with rising costs over time. The funding first allocated in 2021-22 was intended to raise funding levels for service providers by increasing service provider rates. These rates fund the wide variety of services and supports that service providers deliver to DDS consumers, including residential services, day programs, employment support, independent and supported living, and personal assistance.

Service Provider Rate Reform Implementation Timeline Has Changed in Recent Years. The original plan for service provider rate reform established a five-year implementation time line starting in 2021-22. Under this plan, the final rate adjustment would occur in 2025-26. The original time line included the following steps:

- **Year 1 (2021-22).** Service provider rates increase beginning April 1, 2022. Rate increases equal one-quarter of the difference between a provider's current rate and what the fully funded rate model (as of 2021-22) would be according to the rate study.

- **Year 2 (2022-23).** The previous year's rate increase is annualized and DDS implements the first stage of the quality incentive program.

- **Year 3 (2023-24).** The cumulative total of this rate increase and the previous increase equals one-half of the difference between the provider's rate as of March 30, 2022 (before the first rate increase took effect) and the fully funded rate model. Additional funding is provided for the quality incentive program.

- **Year 4 (2024-25).** Rates will sustain the previous years' changes.

- **Year 5 (2025-26).** Rate models will be fully funded beginning July 1, 2025 as follows: A service provider's base rate will equal 90 percent of its rate model, while up to 10 percent of its rate model will be available as incentive payments if the provider achieves its performance and outcomes targets.

The 2022-23 budget accelerated the implementation timeline from five to four years by eliminating the step planned for Year 4 under the original time line. The accelerated timeline included the following steps:

- **Year 1 (2021-22) to Year 3 (2023-24).** This was the same as original plan.

- **Year 4 (2024-25).** Rate models will be fully funded beginning July 1, 2024 as follows: A service provider's base rate will equal 90 percent of its rate model, while up to 10 percent of its rate model will be available as quality incentive payments if the provider achieves specified performance and outcome targets.

Rate Reform Acceleration Responded to Concerns About Workforce Shortages. The state adopted this acceleration in response to stakeholder concerns about a workforce shortage of direct care staff. Stakeholders proposed the acceleration because providers faced challenges filling vacancies for direct care staff positions. Stakeholders stated that the accelerated timeline would facilitate hiring of direct care staff.

Delay Proposal. The Governor's budget proposes to delay the final stage of service provider rate reform implementation by one year to 2025-26. Under the proposal, rate models would be fully funded as of July 1, 2025, rather than July 1, 2024. The proposal provides $612.5 million in General Fund savings in 2024-25. The reduction in General Fund spending would also reduce federal reimbursements by $408 million, resulting in a total reduction of about $1 billion from planned spending in 2024-25.

In addition to delaying the final rate increase, the proposal would also affect the implementation of quality incentive payments. Under the proposal, quality incentive payments would comprise 10 percent of the fully funded rate model beginning in 2025-26, rather than in 2024-25 (as under current law). In lieu of calculating quality incentive payments as 10 percent of the rate model in 2024-25, the Governor's budget proposes $137.5 million total funds as separate funding for a quality incentive program. This proposed amount is equal to the estimated amount of funding spent on quality incentives in the current fiscal year.

The tables below from DDS detail the current and proposed timelines for implementation, with dollars noted (in thousands).

As of the Budget Act of 2022:

Fiscal Year	**Percentage of Rate Model**	**Rates Increase (POS)**	**Quality Incentives (POS)**	**Operations**	**TOTAL**
2022-23	25% half-year 50% half-year	$762.5	$45.8	$21.1	$829.5
2023-24	50%	$1,041.8	$137.5	$21.1	$1,200.4
2024-25 and ongoing	100%	$2,113.4	10 percent of the rate model	$21.1	$2,134.6

2024-25 Governor's Budget Proposal:

Fiscal Year	**Percentage of Rate Model**	**Rates Increase (POS)**	**Quality Incentives (POS)**	**Operations**	**TOTAL**
2024-25	50%	$1,056.8	$137.5	$21.1	$1,215.4
2025-26 and ongoing	100%	$2,113.4	10 percent of the rate model	$12.6	$2,126.080

Note, outside of rate implementation timing changes, 2024-25 also reflects the annualized cost of updating rates due to the change in the Internal Revenue Services' mileage reimbursement and updating rates for Independent Living Services as included in the 2023-24 enacted budget.

Quality Incentive Program (QIP). The QIP is authorized by Welfare and Institutions Code (WIC) section 4519.10, subdivision (e), enacted in a 2021-22 budget trailer bill. Its purpose is to improve consumer outcomes, service provider performance, and the quality of services. The program's website is here: https://www.dds.ca.gov/rc/vendor-provider/quality-incentive-program/.

The program is optional for providers that choose to participate. Participating service providers that meet or exceed quality measures developed by the Department with input from stakeholders, are eligible for incentive payments. Pursuant to the authorizing statute, by the conclusion of the 2025–26 fiscal year, measures and benchmarks established for the QIP shall evolve to include outcome measures at the individual consumer level.

Funding. Funding for the QIP has been established in the annual Budget Act as an approximate percentage of the funding included for rate reform implementation increments. At full implementation, the authorizing statute allows up to ten percent of the fully-funded rate model to be used for the QIP.

Until full implementation, QIP incentive payments are funded separately from rate adjustments. The following assumptions informed these funding amounts: The original General Fund estimate for full rate study implementation was $1.1 billion General Fund. For QIP, ten percent of this value is $110 million General Fund. Based upon the overall phase-in of rate study implementation, 75 percent of $110 million is $82.5 million General Fund in 2024-25. With matching federal funds, a total of $137.5 million is available for QIP. This is the same total as in 2023-24. The annual amounts appropriated for QIP are displayed in the table below; 2024-25 is the amount proposed in the Governor's Budget.

Year	Total Appropriated ($ in millions)	General Fund	Other	Expended, To Date
2022-23	$45.8	0.0	27.5 ARPA 18.3 ARPA Reimb	$16.9
2023-24	$137.5	27.5	53.9 ARPA 37.8 ARPA Reimb 18.3 Medicaid match	$13.9
2024-25	$137.5	82.5	55.0 Medicaid match	N/A

The Department formed the 38-member QIP Workgroup in late 2021 to inform the QIP's design and implementation. The Workgroup has met periodically since November 2021, and the meetings are open to the public. The next meeting is planned for March 2024. Meeting materials and recordings are available on the "Meeting Archive" tab of this link: https://www.dds.ca.gov/initiatives/stakeholder-events/.

QIP Implementation. The Workgroup has stressed the importance of measuring the quality of services and supports that are most important to developmental services in California and indicative of person-centered outcomes. The Workgroup, guided by the system's principles, identified six areas of focus for the QIP:

- Employment
- Early Intervention
- Workforce Capacity
- Access to Services
- Prevention & Wellness
- Informed Choice & Satisfaction

Each focus area eventually will have one or more quality measures tied to specific desired outcomes in that focus area, with corresponding performance targets and incentives. There are five QIP measures currently available:

Workforce Capacity and **Service Access:** Service provider agencies employing direct support professionals (DSP) were eligible to receive an $8,000 incentive for completing the DSP workforce survey. In 2022-23, over $16 million was authorized for 2,086 providers. In 2023-24, an estimated 1,775 provider agencies will receive over $14 million in incentive payments. Regional centers received instructions in November 2023 to pay the first wave of incentives. The second wave of incentive payments was authorized in mid-January 2024 for service providers whose initial survey submissions were incomplete.

Employment Access: Launched in July 2023, this measure provides incentives for service providers assisting individuals in achieving and maintaining competitive integrated employment (CIE) for 30 days and six months in 2022-23 and 2023-24. Based upon claims so far for the first quarter of 2023-24, 13 providers have assisted 185 individuals to achieve CIE (incentives of $183,000).

Employment Capacity: Launched in July 2023, participating providers receive an incentive for staff who completed Association of Community Rehabilitation Educators (ACRE) or Certified Employment Support Professionals (CESP) training as employment specialists. Based upon claims so far for the first quarter of 2023-24, 22 providers have submitted verification for 118 provider staff who have completed training as employment specialists (incentives of $342,125).

Prevention and Wellness: In 2022-23, 45 of 67 eligible Adult Residential Facilities for Persons with Special Health Needs (ARFPSHN) providers participated in this measure by reporting the completion of individuals' preventative health services, with a total of $86,000 incentive payments paid in September 2023. In 2023-24, this measure has been expanded to Family Home Agencies (FHA), Residential Care Facilities for the Elderly (RCFE), and Enhanced Behavioral Support Homes (EBSH). Data collection began in January 2024 for prevention and wellness visits completed in calendar year 2023.

There are four measures under development: the **Provider Directory, Informed Choice and User Satisfaction (also known as the PAVE pilot), Early Intervention, and Employment Satisfaction**. Updates for the first three are found here. Work is underway with the State Council for Developmental Disabilities regarding questions and methodology for an Employment Satisfaction survey.

Governor's Trailer Bill Proposal. The Governor proposed trailer bill language relates to the proposed delay. Statutory changes align specified dates accordingly. The proposed statutory changes also provide DDS authority to continue implementing rate reform through written directives until the time regulations are adopted. Statute currently limits this directive authority until July 1, 2025. The Administration states that implementation of rate reform is highly complex and requires significant changes, including, but not limited to, changes in provider/service requirements and implementation of the quality incentive program. While regulatory adjustments are being evaluated, it is unlikely that all needed regulatory changes would be completed by July 1, 2025, which, absent the proposed changes, would impact DDS's authority to implement rate reform.

Panel

Questions for the Panel:

◊ Please describe what the Quality Incentives have been based on so far as they have been implemented and how the 90/10 would work if rate increases go into effect pursuant to current law.

◊ What impacts did the rate freezes and rate reductions that were done in the Great Recession have on the DDS programs and on the IDD community?

◊ What impacts will the delay have on the workforce for the IDD community?

◊ How many providers exist in the system today and has this increased or decreased over time?

- Carla Castaneda, Chief Deputy Director, Operations and Pete Cervinka, Chief, Data Analytics and Strategy, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Barry Jardini, Executive Director, California Disability Services Association
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Mark Melanson, Executive Director, California Community Living Network
- Judy Mark, President, Disability Voices United and Parent of Person Served by a Regional Center

LAO Comments

The Legislative Analyst's Office (LAO) has provided the following:

Proposal Would Help Address the State Budget Problem… The $612.5 million decrease in General Fund spending for rate reform implementation would help the state address its budget deficit in 2024-25. The delay would mean the rate model implementation would remain roughly half-way implemented in 2024-25.

…But Could Delay Addressing Direct Care Staff Workforce Shortages. We have heard concerns from stakeholders that the challenges faced by providers in hiring an adequate number of direct care staff, which helped initiate rate reform acceleration in 2022-23, have not yet been fully overcome. Providers indicate that a continuing shortage of direct care staff could delay service provision to DDS consumers, as providers might have to decline referrals from regional centers due to lack of available staff. Consumers might therefore need to wait longer before a provider can begin to serve them. Additionally, a continuing shortage of direct care staff could disrupt service continuity for those consumers who are successfully referred to a provider due to staff scheduling challenges. We note that DDS has recently adopted workforce initiatives that could improve workforce stability in the longer run, such as bilingual pay differentials and Direct Service Professionals University (a training and certification program tied to wage differentials for direct care staff). However, as these efforts are still in the early stages of implementation or not yet fully implemented, they are unlikely to address providers' immediate workforce needs in 2024-25.

Consider Whether Alternative Approaches Are Warranted. While the proposal would help address the state budget problem, it involves trade-offs. Specifically, some DDS consumers may not receive services as quickly as could be possible were the full rate reform implemented in 2024-25. Rejecting the administration's proposal, however, requires dollar-for-dollar reductions in other areas of the budget. Alternatively, the Legislature could consider a scaled-back budget solution that allows some level of funding for the final phase of rate reform in 2024-25 while reducing the adverse impacts associated with the proposed solution. For example, such a scaled-back approach could target select service provider codes where the workforce shortages are most acute. This approach would require collaboration with the administration and stakeholders. Additionally, it would still require alternative budget solutions in other areas of the budget (although of a lesser dollar amount than would be required if the administration's proposal were rejected completely). We note that delaying the final phase of rate reform is only a one-year budget solution. That is, the ongoing costs of the final phase of rate reform are reflected in the administration's multiyear estimates beginning in 2025-26 (when the state continues to face budget deficits).

Rate Reform Acceleration Intended to Benefit Direct Care Staff. When the 2022-23 budget accelerated the phase in of service provider rate reform implementation, the associated trailer legislation required providers to use a specified percentage of the upcoming rate increases to raise the wages, salaries, or benefits of direct care staff starting on January 1, 2023 (Chapter 49 of 2022 [SB 188, Committee on Budget]). The percentage of the rate adjustment that must be allocated to the direct care staff varies by service code. The phase-in plan also requires providers who receive a rate increase to maintain documentation demonstrating compliance with this requirement.

Compliance With Compensation Increases for Direct Care Staff. While DDS issued guidance to remind providers about the compliance requirement, the department indicated that it has not yet initiated any provider audits. This is in part because expenditures for 2022-23 are not yet finalized. DDS stated that providers' compliance with this requirement is a potential candidate for future audits. Given the significant amount of funding provided for rate reform implementation to date, these types of audits could help ensure that any funding allocated to rate reform implementation aligns with legislative intent. The Legislature could therefore ask DDS when it plans to conduct this type of audit and request a briefing on the findings once complete. The Legislature could also ask DDS to elaborate on how it coordinates with regional centers on this issue.

Quality Incentives Will Ultimately Comprise 10 Percent of Provider Rates. Once service provider rate reform is fully implemented, statute requires that 10 percent of each service provider rate is reserved for a quality incentive payment. These quality incentive payments will be tied to performance metrics specific to each category of service provider. By tying payments to performance, the department aims to improve consumer outcomes. DDS convened a Quality Incentive Program Stakeholder Workgroup to help develop the methodology for quality incentive payments. (We provided additional background on and assessment of the status of the development of the quality incentive program in a previous analysis.)

Department Has Initiated Provider Directory. The department has started the process to create a statewide database containing contact details for all service providers authorized to serve DDS consumers. Prior to this, the department did not maintain comprehensive contact details for providers. The department indicated that the directory will help facilitate the quality incentive process by providing access to current and complete provider data. As of December 2023, the department is engaging with regional centers and service provider focus groups, as well as a contractor, to support provider directory rollout and training.

Infrastructure Needed to Support Quality Incentive Program Still Under Development. Although the administration views the provider directory as a valuable and necessary starting point for quality incentives, we have heard concerns from stakeholders that two other components of the infrastructure needed to fully implement quality incentive payments by 2025-26 is lagging.

First, DDS needs to define the quality measures that providers must satisfy in order to earn the final 10 percent of the fully implemented rate model. Stakeholders have expressed concerns with the slow pace of progress in reaching consensus on quality measures and the need for more urgency within the department. Although the department indicated that it expects to receive support from regional centers and provider associations in communicating its quality measures before they take effect, limited time now remains before the quality measures must be finalized and published.

Second, the department requires an information technology (IT) system that will enable all 21 regional centers to consistently track whether providers have satisfied the quality criteria to earn the final 10 percent of the rate model. DDS has initiated a project with the California Department of Technology that would modernize case management and financial recordkeeping throughout the state. Once fully operational, this project would allow DDS and regional centers to leverage outcome measurements when calculating rates. At the time this analysis was prepared, whether this project would be completed in time for DDS to implement quality incentive payments is unclear.

In light of these potential challenges, the Legislature could ask DDS to provide more information at budget hearings about the anticipated timeline for finalizing quality measures and upgrading the department's IT systems as both of these components would be required to implement the measures.

Staff Comments

Staff Recommendation: The Subcommittee could request, on a technical assistance basis, that DDS and DOF provide fiscal options to provide the rate increase that is currently scheduled to take place on July 1, 2024 for those rate categories that would maximize federal financial participation, noting any programmatic or federal approval impacts of which the Legislature should be aware. This information could be requested to come back to the Subcommittee staff, Chair's staff, and the Legislative Analyst's Office before or by Friday, March 22, 2024.

In addition, the Subcommittee could request that DDS provide information on when it plans to conduct the audit on providers to ensure compliance with compensation increases for direct care staff, with a briefing on the findings once completed. As part of this, DDS should explain how it will coordinate with regional centers on this issue. This information could be requested before or by Friday, March 22, 2024.

Lastly, the Subcommittee could request information from DDS about the anticipated timeline for finalizing quality measures and upgrading the department's IT systems, and if these would both occur in time under any circumstance to implement the 90/10 by the statutory timeframe of July 1, 2023.

Issue 5: Governor's Proposal for a Master Plan for Developmental Services

The Governor's budget proposes DDS develop a Master Plan for Developmental Services by the end of calendar year 2024. The stated goal of the plan is broadly to improve the experience of individuals and families receiving developmental services. The plan would outline goals to make developmental services more person-centered, equity-focused, and data-driven. To inform the development of the plan, DDS intends to reconstitute the Developmental Services (DS) Task Force (originally created in 2014 to inform the transition of DDS consumers from institutional settings to home- and community-based settings). The California Health and Human Services Agency identified the Master Plan for Developmental Services as one of its 2024-25 program priorities. There is no new funding associated with this proposal, however resources are being spent on the effort currently. A request has been made for information about these resources and has not been received at the time of this writing.

The following information about the proposal is from the Administration.

Development of the Master Plan will be a stakeholder-driven process with the stakeholder committee determining what the main focus or focuses will be. Largely, the aim of the Master Plan is to ensure that current services delivered are more equitable, consistent, and accessible by addressing inequities and geographic disparities in both the access to services and payment of services and addressing how consumers and their families ultimately navigate the developmental services system. Since 2019-20 the DDS budget has increased in total funding by 88%; this Master Plan aims to utilize these investments to their maximum capacity to deliver results.

Starting in March of 2024, members of the Master Plan for Developmental Services Stakeholder Committee will participate in monthly meetings that will be a combination of virtual and in-person. The Committee will be tasked with working with CalHHS and its departments to develop the Master Plan for Developmental Services to be released by March 2025. The Stakeholder Committee includes 36 individuals comprising family members, self-advocates, providers, system connectors, regional centers, labor, and larger system stakeholders.

The Stakeholder Committee will create subgroups on specific areas or topics (e.g., workforce, quality improvement, equity, financing, and governance) to ensure that a small group of members are able to iterate on pieces of the Master Plan and then bring back to the Stakeholder Committee for review and consideration. These subgroups will bring together additional subject matter experts, community partners, individuals with intellectual and developmental disabilities, and family members to help shape the components of the Master Plan and provide opportunities for deeper and wider engagement. The initial work will be supported by redirecting existing DDS resources currently supporting strategic planning efforts and CalHHS is exploring philanthropic resources for the larger effort.

Additionally, CalHHS and DDS will launch a community engagement campaign, *Unlocking Our Abilities* in which roundtable discussions will be hosted across the state. The roundtable discussions will include groups of individuals with intellectual and developmental disabilities in the community to learn about what hopes and desires they have for a system that supports their abilities to live healthy and productive lives in the community of their choosing. The discussions will also include groups of parents and family members of individuals with intellectual and developmental disability in the community to learn what they need out of a developmental services system that serves the needs of their children and loved ones. Legislative Members will have the opportunity to go into the community to participate and engage at roundtable discussions.

CalHHS and DDS are in the process of finalizing the logistics of the Stakeholder Committee process, including the identification of a facilitator.

California Health and Human Services (CalHHS) Secretary Dr. Mark Ghaly appointed the following members of the Stakeholder Committee to create a Master Plan for Developmental Services on February 14, 2024. Many of these Stakeholder Committee members are panelists for this hearing.

Amy Westling – Association of Regional Center Agencies
Areva Martin – Family member
Barry Jardini – California Disability Services Association
Beth Burt – Family member
Brett Eisenberg – California Foundation for Independent Living Centers
Brian Zotti – Options for All
Cheryl Brown – Commission on Aging
Claudia Center – Disability Rights Education & Defense Fund
Dora Contreras – Family member
Edith Arias – Family member
Elena Tiffany – Self-advocate
Eric Ramirez – Self-advocate
Gloria Wong – East LA Regional Center
Joe Perales – El Arc de California
Joyce McNair – Family member
Judy Mark – Family member
Kavita Sreedhar – Family member
Kecia Weller – Self-advocate
Kelly Kulzer-Reyes – Family member
Larry Yin – University Center of Excellence in Developmental Disabilities at CHLA
Lisa Cooley – Self-advocate
Marie Poulsen - Interagency Coordinating Council on Early Intervention
Mark Klaus – San Diego Regional Center
Mark Melanson – California Community Living Network
Marty Omoto – California Disability Community Action Network
Norma Ramos – Family member
Sara Speck – Self-advocate
Sascha Bittner – Self-advocate
Season Goodpasture – Family member
Shella Comin-DuMong – CHANCE Housing
Sylvia Yeh – Family member

Tiffany Whiten - SEIU
Tim Jin – Self-advocate
Victor Lira – Aveanna Healthcare
Will Leiner – Disability Rights California
Yvette Baptiste – Family member

Panel

Questions for the Panel:

◊ What are the priority goals for the Master Plan for Developmental Services? What are individuals' visions for how this will work and what will be the outcome next year and into the future?

◊ What are the parameters for these goals for the Stakeholder Committee?

◊ How will this process work in terms of timeline for the next year, report content-creation, collaboration, incorporation into future budgets, and updates after March 2025?

◊ Is the Administration amenable to trailer bill to codify the Master Plan origin, process, outcomes, and ongoing reporting, as was done with SB 228 (Jackson, Chapter 742, Statutes of 2019) for the Master Plan for Aging?

- Nancy Bargmann, Director, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Sascha Bittner, Self-Advocate, Member of the PAVE Stakeholder Advisory Group
- Marty Omoto, Parent/Family Member & California Disability-Aging Community Action Network (CDCAN)
- Will Leiner, Managing Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Amy Westling, Executive Director, Association of Regional Center Agencies

LAO Comments

The Legislative Analyst's Office (LAO) has provided the following (these were provided prior to the February 14, 2024 announcement from CalHHS:

In Concept, Proposal Appears Consistent With Existing Priorities… DDS is developing and has initiated various efforts intended to address quality, equity, outcomes, and accountability. These efforts include, among others, service provider quality incentive payments, implicit bias training at regional centers, efforts to expand consumers' access to social recreation services, and standardized assessments for respite services. While these efforts have not yet been evaluated for efficacy or efficiency, they are meant to improve the experience of individuals and families receiving developmental services. As such, the proposed Master Plan therefore appears consistent with the department's existing efforts and stated priorities.

…But Details Provided to Date Are Scarce. At the time this analysis was prepared, the administration had not yet released substantive details of its proposal for the Master Plan for Developmental Services. Particularly given the current fiscal climate, understanding the potential scope and outcomes of this proposal is important. Depending on the specifics of the plan, it could create fiscal pressure on the Legislature to take certain budget and policy actions in coming years. Accordingly, throughout this section, we raise key questions for the administration in order for the Legislature to fully consider the merits of the proposal.

State Has Recent Experience With Master Planning Process. The concept of a master plan has a recent precedent in the state, as California developed a Master Plan for Aging throughout 2019 and 2020. The Governor issued an executive order in June 2019 calling for the Master Plan for Aging in response to anticipated demographic shifts in the state's aging population. In response, the Legislature enacted legislation (Chapter 742 of 2019 [SB 228, Jackson]) establishing the parameters and reporting requirements of the plan. The development of the Master Plan for Aging involved significant stakeholder and public engagement as well as cross-agency collaboration. The final plan, released in 2021, identifies 5 goals and 23 strategies with a targeted implementation date of 2030. Six standing stakeholder committees inform the ongoing implementation of the plan.

The Master Planning Process Has Potential Value. While the Master Plan for Aging is still in the early stages of implementation and evaluation, it nonetheless sheds light on the possibilities for developing a master plan. A master plan can serve to focus and coordinate state efforts in a broad policy area that cuts across multiple state entities, initiated by a process of setting priority goals and developing an implementation plan to achieve the goals. For example, the Master Plan for Aging's five main goals address housing, health, community integration, caregiving, and economic security. The administration has taken various actions to start implementing the Master Plan for Aging, such as investing funds to construct or rehabilitate senior housing facilities through the California Department of Social Services' Community Care Expansion Program, as well as expanding food benefit eligibility for older adults as part of Food4All.

Legislature Has Opportunity to Inform the Vision for the Master Plan for Developmental Services. At the time this analysis was prepared, the administration has not clearly articulated a definitive vision for the Master Plan for Developmental Services. This presents an opportunity for the Legislature to help establish the vision for both the development of the Master Plan and the plan's scope in the context of developmental services more broadly. Should the Legislature wish to proceed with the concept of a Master Plan for Developmental Services, we recommend that the Legislature consider introducing legislation, similar to that introduced for the Master Plan for Aging to ensure that the vision for the Master Plan for Developmental Services reflects legislative priorities.

While DDS indicated that it intends to collaborate with other state departments and programs on the Master Plan for Developmental Services, it has not yet released any details on its vision for this type of collaboration. Individuals with intellectual and developmental disabilities often receive services outside of DDS, including those overseen by the California Department of Education, the Department of Rehabilitation, the Department of Health Care Services, and the Department of Social Services. We recommend that the Legislature ask DDS to provide more information about its plans for collaboration across state agencies.

More Details Needed on Stakeholder Engagement. While the department stated that it plans to convene a workgroup of stakeholders to inform the development of the Master Plan, it has not released details on the stakeholder engagement process. Chapter 742—concerning the Master Plan for Aging—specified requirements for the solicitation of stakeholder input. The Legislature could consider codifying a similar requirement for the Master Plan for Developmental Services.

Relatedly, stakeholders have voiced the importance of giving a diverse representation of consumers the opportunity to meaningfully engage in the development of the Master Plan. We recommend the Legislature ask DDS to provide more information about its intended outreach to stakeholders and the role that stakeholders would play in developing the Master Plan.

Legislature Will Likely Need to Give Fiscal Considerations a Key Focus. In the context of likely budget deficits through 2027-28, understanding the potential fiscal impacts of the proposed Master Plan would be critical. To understand these potential impacts, the Legislature could ask the administration how it proposes to estimate the implementation costs of the Master Plan and fund any costs above current baselines. The Legislature may want to consider the potential future cost pressures of the administration's proposal as it evaluates the proposal and weighs it against other legislative funding priorities.

Proposal Does Not Address Ongoing Legislative Oversight of Plan Implementation. At the time this analysis was prepared, DDS has not indicated whether the Legislature would have any role in overseeing the ongoing implementation of the Master Plan once it is developed. We note that Chapter 742 required the Department of Aging to submit annual reports to the Legislature on the implementation of the Master Plan for Aging. The Legislature could consider codifying a similar requirement for the Master Plan for Developmental Services. The information from such reporting could assist the Legislature in exercising ongoing oversight through its appropriations authority and review of administration spending plans. The Legislature could also ask DDS to elaborate on its plan to track ongoing implementation.

Questions for CalHHS

Questions for the Administration on the Master Plan for Developmental Services include:

- How will the Administration ensure successful and efficient interagency coordination?

- Will the Administration seek to create a Cabinet Work Group, similar to the group created for the Master Plan for Aging?

- Which types of developmental services would the Master Plan affect?
- How would CalHHS ensure that any programs resulting from the Master Plan are inclusive of the diverse array of individuals served in the developmental services system?
- How would the Master Plan expand upon the department's existing initiatives to address quality, equity, outcomes, and accountability?
- Does the Administration plan to solicit participation from consumers that historically have lower levels of service provision/purchase of service expenditures?
- How will the Administration make the stakeholder process accessible in multiple languages?
- How will the Administration encourage participation of family members that represent a wide range of consumer ages, from Early Start to elderly consumers?
- How will the Administration educate laypeople about the developmental services system so that they are sufficiently empowered to provide meaningful feedback?
- Will meetings be structured to allow stakeholders sufficient time to voice their concerns and suggestions?
- How would DDS plan to define success and track progress under the Master Plan?
- How would DDS plan to record and analyze data under the Master Plan?
- What role would stakeholders play in Master Plan implementation?
- How would the department ensure its goals are sufficiently specific to be tied to measurable outcomes?
- How would the department ensure financial transparency in its ongoing implementation tracking and reporting?
- How is the Administration resourcing the Master Plan workload, specifying fund sources dollar amounts?

Staff Comments

Staff Recommendation: The Subcommittee could request assistance from the Legislative Analyst's Office to begin to work on a draft of trailer bill language, in collaboration with Legislative staff, emulating what was codified for the Master Plan for Aging in SB 228 (Chapter 742 of 2019), to be shared first with Subcommittee staff and Chair's staff, and then with the Administration for their input, with a more developed draft coming back to the Subcommittee by Friday, March 22, 2024.

Additionally, the budget for the Master Plan workload has been requested (including contracted services), but this has not yet been shared at the time of this writing. The Subcommittee has also requested a schedule of meetings planned thus far, which is also outstanding. The Subcommittee could make a request for this information by a date certain, and a suggestion would be by Friday, March 1, 2024.

Issue 6: Implementation of 2023 Equity Changes and Goals and Path Going Forward

This issue is intended to review the recent actions taken in budget trailer bill in 2023 to create consistency in Regional Center intake and assessment in an effort to create more equitable access to developmental services. This effort responded to information about purchase of services disparities that will be discussed in this section. The issue is also intended to ask of panelists what the specific goals and strategies should be fostered in the developmental services system to achieve greater racial, ethnic, and geographic equity for service provision for all Californians served by the Lanterman Act.

Recently Enacted Equity Provisions. Below is a review of the developmental services equity and provisions included in Senate Bill 138 (Chapter 192, Statutes of 2023), organized by section of law and timelines for implementation.

Date Deadline	Requirement
Per SEC. 7 WIC 4435.1 – Intent and Requirements for More Statewide Uniformity and Consistency in Administrative Practices and Services of Regional Centers to Promote Equity	
No later than June 30, 2024	Requires the Department of Developmental Services (DDS or department) to establish common data definitions to promote service access and equity in all regional center services and programs.
	Requires the department to establish a standardized individual program plan (IPP) template and procedures.
No later than January 1, 2025	Requires regional centers to record the race, ethnicity, and preferred language of individuals served at the time of initial intake, assessment, and individual program planning meeting following their 18th birthday.
	Requires regional centers to implement the standardized IPP template and procedures.
	Requires the department to establish a standardized intake process.
No later than January 1, 2026	Requires regional center to implement the standardized processes for respite services. This includes the obtaining of information about respite needs from family members and caregivers and the modification of purchase of service policies.
No later than June 30, 2025	Requires the department to establish a standardized process for assessing an individual's need for respite services.
	Requires the department to establish standard vendorization procedures.
	To the extent allowed by current data systems, regional centers shall report to DSS on a quarterly basis the number of assessments and the length of time that it took to determine eligibility.
No later than January 1, 2026	Requires regional centers to implement these standardized vendorization procedures and provide updated vendor lists to DDS on a quarterly basis.
No specific deadline	Requires data collection to be integrated with the department's new case management system.
	Requires the standardize IPP template to be integrated with the department's new case management system.
	Requires the department to include the following information in the new case management system: number of individuals for whom take was requested, intake outcomes and there an assessment was determined to be necessary, the length of time it took the complete the assessment, and the number of notices of action sent per WIC 4642(a)(3). Regional

	centers shall report this data on a quarterly basis, based on criteria in WIC 4519.5(a)(1)-(5).
Per SEC. 8 WIC 4435.2 – Generic Services and Common Services and Supports	
No later than July 1, 2025	Requires the department to report specified information regarding the definition of generic services, options to improve the coordination of generic services, a description of regional center efforts to coordinate generic services for individuals and families, and identified barriers to accessing generic services.
No specific deadline	Requires the department to explore the feasibility of tracking generic services in its new case management system.
Status update by January 10, 2025 on efforts to complete this evaluation with a projected date for completion	Requires the department to evaluate the availability of common services and supports, including inconsistencies in the availability of services by geography and language, and recommendations for addressing inconsistencies.
Per SEC. 9 WIC 4642 – New Requirements for Intake and Assessment	
Commencing January 1, 2025	Establishes regional center responsibilities, by the end of the 15-day initial intake period, for determining eligibility and conducting intake, and requires regional centers to provide notification on the outcome of an eligibility determination.

The following is an update on implementation of these provisions provided by DDS.

SB 138	DELIVERABLES	STATUS February 2024 ($7.8m, $6.2m GF)
RACE, ETHNICITY, LANGUAGE DATA WIC 4435.1(b)	• By 6/30/24 Establish common data definitions • By 1/1/25 Regional Centers (RC) start recording at milestones	DDS has met with diverse stakeholders for input on common data definitions. Next step includes DDS to seek public input through April 2024, on potential updates to data collection (refer to note below*). On track to meet deliverable dates.
IPP TEMPLATE AND PROCEDURES WIC 4435.1(d)	• By 6/30/24 Establish standardized IPP template and procedures • By 1/1/25 RC implement procedures	Workgroup has been evaluating as part of RC Performance Measures initiative. A draft IPP template is being finalized that is inclusive of stakeholder workgroup recommendations. DDS continues to review draft IPP template with self-advocates, families and advocates. On track to meet deliverable dates.

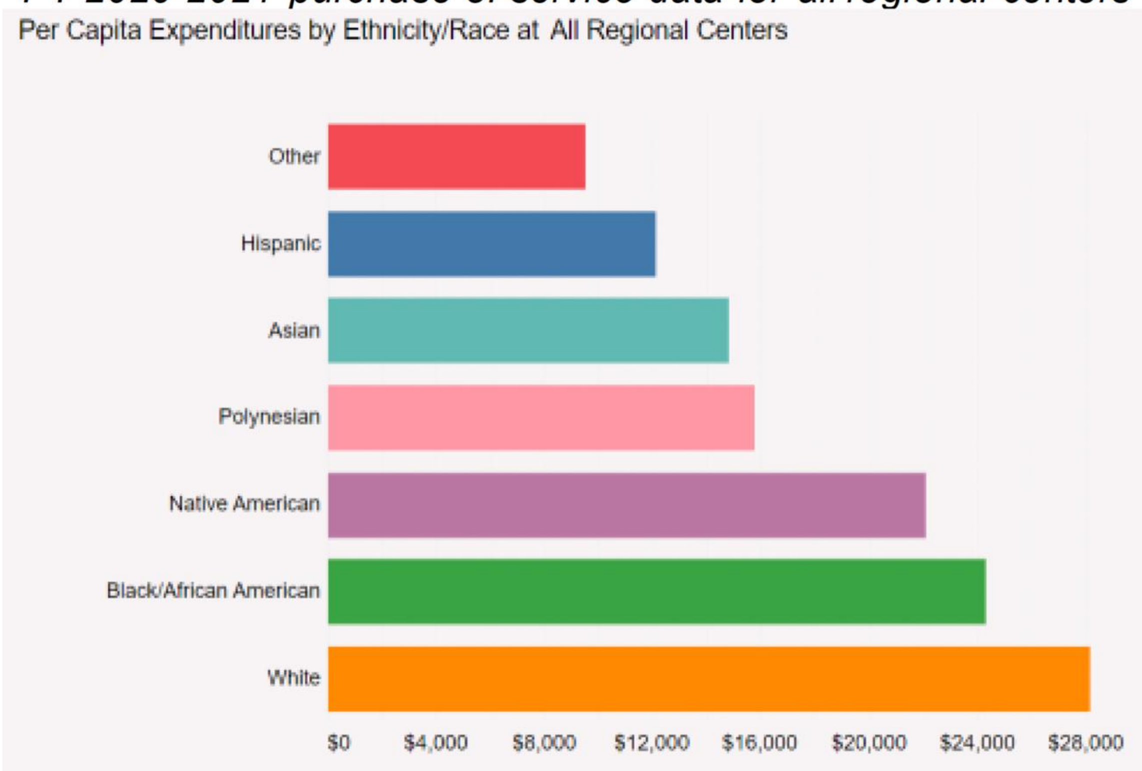
INTAKE PROCESSES WIC 4435.1(f) WIC 4642(a)	• By 1/1/25 Establish standardized intake process • By 1/1/25 RCs determine eligibility and inform individual by 15 days • By 6/30/25 RCs report intake data (quarterly)	DDS has been actively reviewing RC intake process and procedures to identify best practices, to include data standards. DDS is meeting with stakeholders for input. On track to meet deliverable dates.
GENERIC SERVICES EVALUATION WIC 4435.2	• By 1/10/25 Status update on evaluation • By 6/30/25 Provide information to Legislature	An internal review of generic service requirements and will be meeting with stakeholders for input and recommendations. On track to meet deliverable dates.
RESPITE ASSESSMENT PROCESSES WIC 4435.1(c)	• By 6/30/25 Establish standardized process • By 1/1/26 RCs implement processes	DDS is researching practices, to include how other states have approached assessment standardization. Targeting Summer 2024 for stakeholder input and recommendations. On track to meet deliverable dates.
VENDORIZATION PROCEDURES WIC 4435.1(e)	• By 6/30/25 Establish standardized vendorization procedures • By 1/1/26 RCs implement procedures • By 1/1/26 RCs provide updated vendor lists (quarterly)	Initial efforts to standardizing vendorization includes two service codes (SDP transition and social recreation, camp and non-medical therapy; Establishing a statewide provider directory to serve as a portal and foundation for standardization; DDS continues to work with ARCA and broader community for long term deliverable. On track to meet deliverable dates.
Resources	• Allocated initial funding to support SANDIS modifications • Special Consultant joined DDS in February 2024, with additional Special Consultant anticipated by May 2024 • Additional recruitment in progress • Evaluating IT components to support standardization	$7m total funds remain for DDS and RC support (including SANDIS). Budgeted funds are available through June 2026.

Below is information on what the 2023 Equity package of changes was responding to from persons served, parents, disability rights advocates, and regional centers.

Longstanding Interest in Disparities in the Amount of Spending on Services Among Racial/Ethnic Groups. Starting in 2011-12, state law requires all RCs to annually publish data on the amount spent on services for consumers disaggregated by the race/ethnicity of these consumers. These data consistently have shown large disparities in the average amounts spent among these groups. In particular, spending for Hispanic/Latino consumers is about half that for white consumers on average.

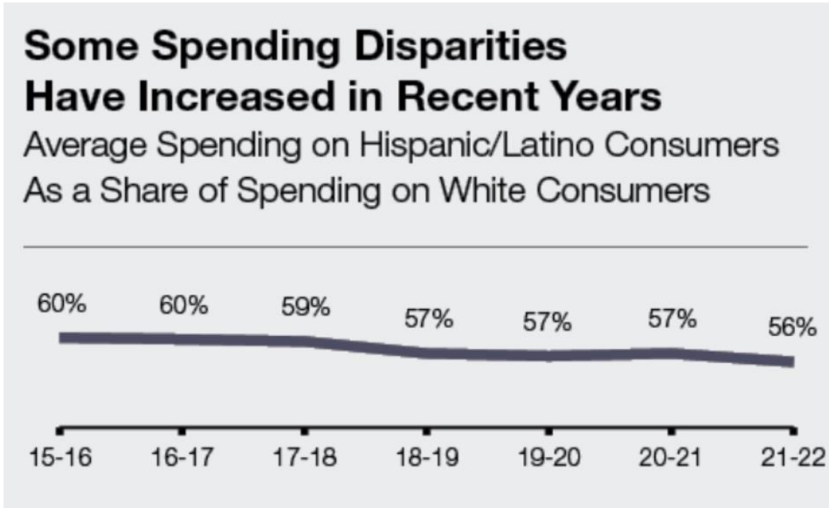
The following chart was provided by Disability Rights California.

FY 2020-2021 purchase of service data for all regional centers



State Provides Ongoing Grants to Address Spending Disparities. The state has allocated $11 million annually since 2016-17 ($77 million to date) for "equity grants" to help close disparities in spending. As part of the 2021-22 spending plan, the state also required DDS to contract with a research entity to evaluate the effectiveness of these grants. The state contracted with a team from Georgetown University to develop that study. Additionally, recent budgets had made investments toward equity goals, including RC training on implicit bias and funding for language access services.

In Spite of Funding for Equity Grants, Racial/Ethnic Spending Disparities Persist. Unfortunately, the available data suggest relatively little movement in terms of reducing spending disparities since equity grants were first introduced. In fact, the figure below from the LAO shows the disparity in average spending per Hispanic/Latino consumer as a share of the average spending per white consumer has actually widened since 2015-16.



State Lacks Insight Into Drivers of These Disparities in Spending. The LAO stated previously that one potential reason the ongoing equity grants have not yet addressed spending disparities is that they are not guided by a clear understanding of why such disparities exist. Although the Administration has pointed to some factors which explain a share of the overall disparities (most notably, that Latino/Hispanic consumers are more likely than white consumers to live with their parents and thus consume fewer residential services), to date, no attempt has been made to document comprehensively the drivers of disparities and to quantify their likely effects.

BCP Approved in 2024. Related Budget Change Proposal (BCP) – Disparities within the Developmental Services System (Assembly Bill 1957). DDS requested $1.8 million General Fund ($2.7 million total funds) annually through fiscal year 2025-26 and three permanent positions and $450,000 ($360,000 General Fund) ongoing thereafter. This request was ultimately approved.

DDS Analysis of Equity Metrics. The Subcommittee requested information from DDS on equity metrics and trend information to inform us about the current status of equity and to indicate if the system is improving to achieve greater equity over time or not. The following information was provided by DDS.

Data quality and consistency*

People should be able to see themselves and their communities in the data about California's developmental disabilities services system. To further improve the quality and consistency of California's data, DDS is about to announce public input opportunities on possible updates to data collection in the categories below, through the end of April 2024. SB 138, a 2023-24 budget trailer bill, requires DDS to establish common definitions for the first two categories by June 30, 2024:

1. Race and ethnicity
2. Preferred language

3. Where people live (also known as “residence codes”)
4. Sexual orientation and gender identity
5. Legal status

Purchase of Services (POS). There are a variety of ways to measure equity in service provision. Levels of service authorization, expenditures and utilization rates, timeliness and quality of services, linguistic and cultural alignment between needs and available service providers, and access to information in multiple languages and formats are some of those ways. Data should be consistent and of good quality, and analyses should compare people with similar needs (e.g., support needs, age, residential setting, medical conditions and diagnoses, etc.) who live in similar residence types. DDS is evaluating data measures regarding POS expenditures, utilization, intake timeline, etc., to include race/ethnicity, language, gender and age to monitor progress toward reducing disparities in accessing services. Below are examples of data sets that are used to inform how consumers and families are accessing regional center funded services and where inequity in spending continues, improving and/or emerging. Measures of equity shouldn’t be based on purchase of service expenditures alone, but POS data is important as an element of broader evaluation (i.e., accessing other systems of care, individual experience, etc.).

Differences in POS by race/ethnicity can be readily seen on the aggregate, without accounting for differences in where people live, their ages, or types of services.

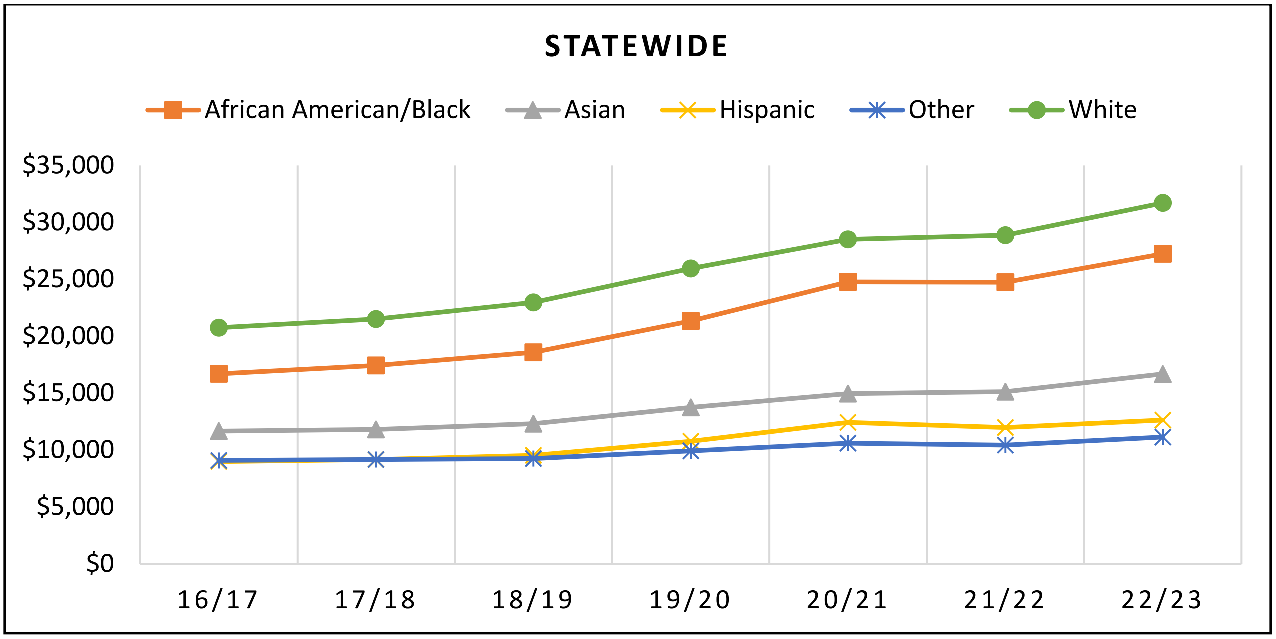
In 2016-17 and 2022-23 average POS among consumers of all ages and residence types was highest among consumers reported as White and African American/Black.

- The higher POS among White and African American/Black is, in part, driven by higher use of out of home supports compared to other racial/ethnic groups.

- Expenditures, which rise with age, are higher among those not living in the family home (details provided in the next section).
    - White and African American/Black consumers are older than other racial/ethnic groups. In 2022-23, just over half of White and Hispanic consumers (52% and 55% respectively) were 21 and younger (age 0-21). In comparison, 75% of Hispanics, 68% of Asian, and 82% of consumers with ‘Other’ race/ethnicity were 21 and younger.
    - Among those age 22 years and older, 45% of African American/Black and 53% of White consumers lived out of the family home. In contrast, only one out of five (21%) Hispanic or Asian consumers and one third (31%) of consumers with ‘Other’ race/ethnicity lived outside the family home.

- Over time, the DDS consumer population has been increasingly comprised of younger individuals. Given that consumers who are older typically have higher POS, this demographic shift may contribute to a widening divergence in spending between the different racial groups over time (see chart below).

Trends in Average POS by Race/Ethnicity

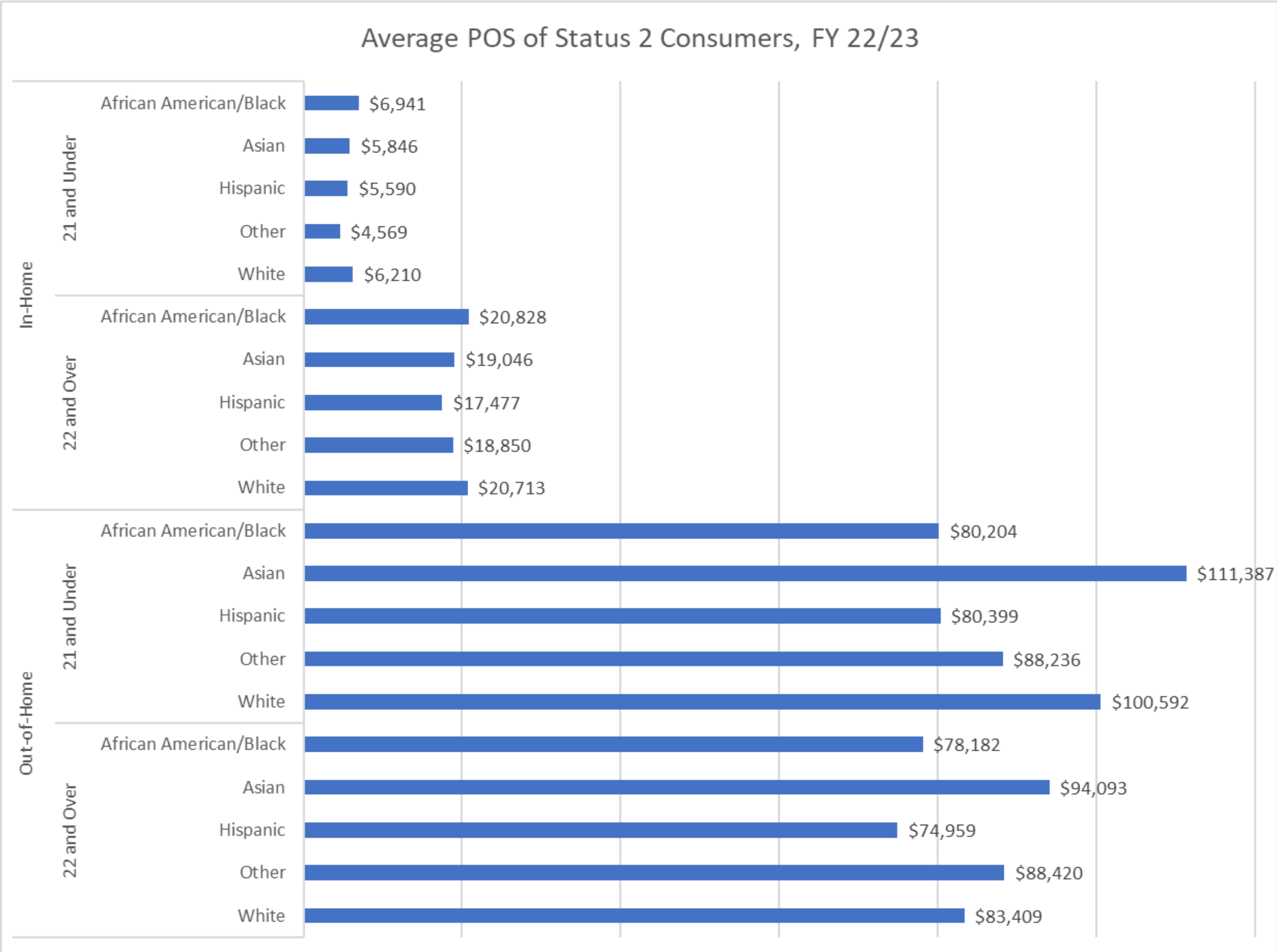


Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (1,2,3,8,U), regardless of whether or not services were received. Note: Although most claims are received within 6 months of service receipt, FY 22/23 data may not include all claims.

- Shifts in demographics, particularly the increasing proportions of younger consumers of Hispanic, Asian, and other race/ethnicities have contributed to widening differences in POS over time.
  - In 2016-17, the group with the highest expenditures (White) spent 2.3 times more than the group with the lowest spending ('Other' race/ethnicity), at $20,744 and $8,981 respectively.
  - In 2022-23, the group with the highest expenditures (White) spent 2.8 times more than the group with lowest spending ('Other' race/ethnicity), at $31,704 and $11,136 respectively.

In-Home vs Out of Home

However, expenditures differ greatly depending on whether a consumer lives at home (i.e., in the family home or in a licensed residential setting) or not. For consumers of all ages, average annual POS for consumers living out-of-home in 2022-23 was approximately nine times higher than POS for consumers living at home, at $80,293 and $9,063, respectively. In addition to residential setting type, age also influences the difference. For example, the majority of those living in the family home are under the age of 18 and accessing most services through education and the majority of those who are in licensed settings are over the age of 22. These variables are important to consider when reviewing data on the aggregate.

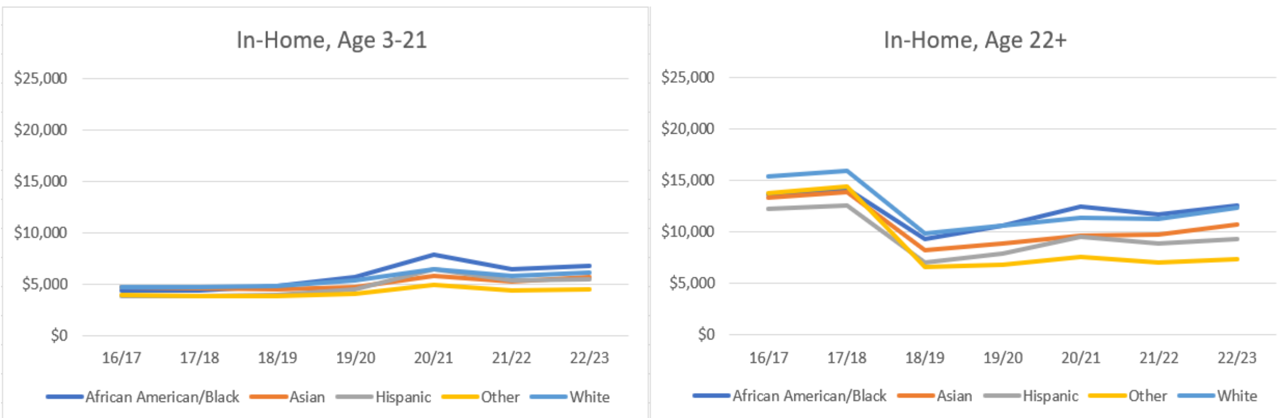


Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (Status 2 only), regardless of whether or not services were received. Consumers living out-of-home include those not living in a family home.

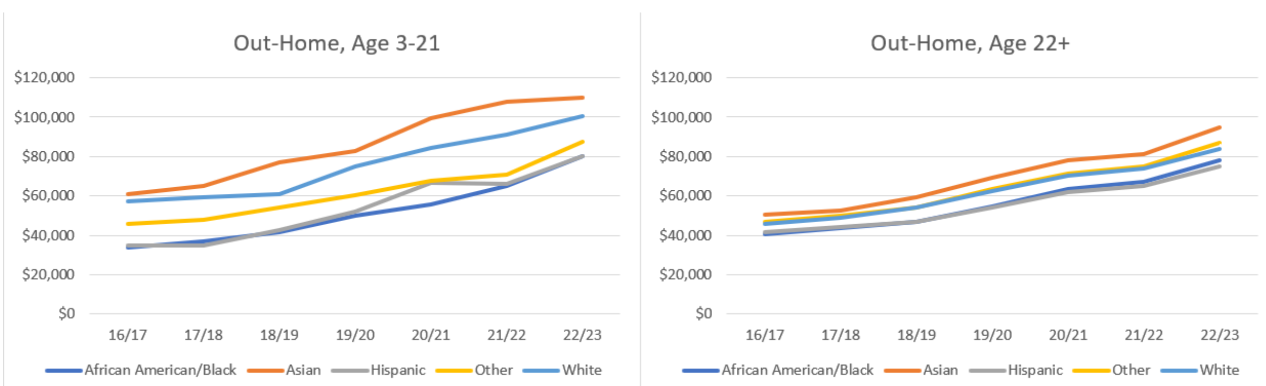
Since 2016-17, the difference in POS among children and young adults ages 3-21 living at home, has narrowed (charts below):

- In 2016-17: Average POS for children and young adults reported as Hispanic and White was $3,811 and $4,657 respectively, a difference of roughly 22%.
- In 2022-23: Average POS for children and young adults reported as Hispanic and White was $5,425 and $6,094, a difference of roughly 12%.

Trends in Average POS for Individuals Living In-Home by Race/Ethnicity and Age



Trends in Average POS for Individuals Living Out-of-Home by Race/Ethnicity and Age

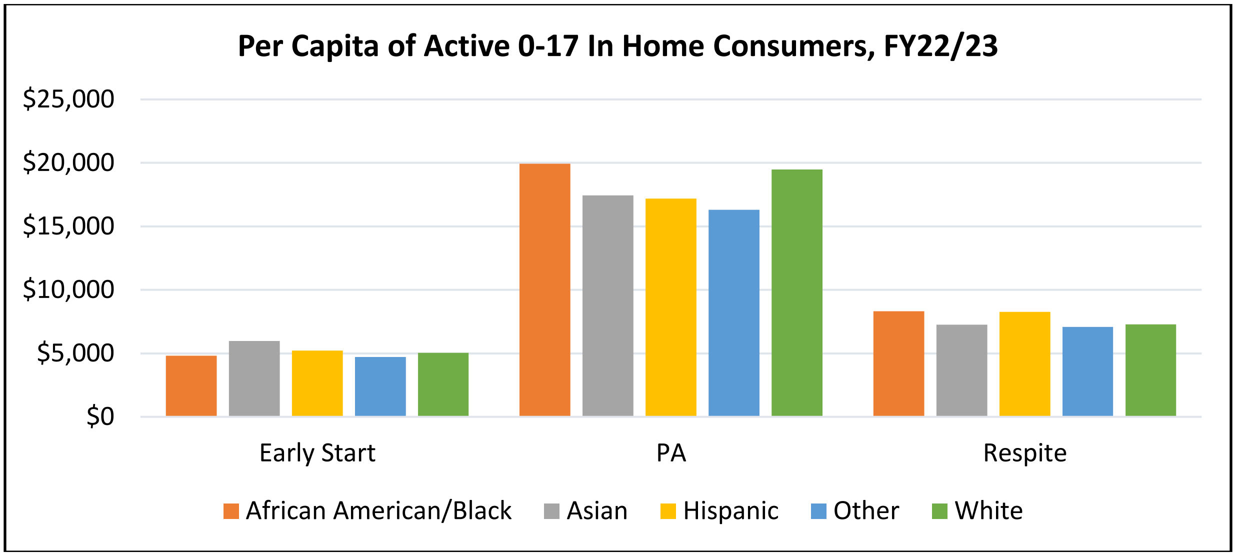


Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (1,2,3,8,U), regardless of whether or not services were received. Consumers living out-of-home include those not living in a family home.

Service Categories - Examples

POS and utilization among consumers of different racial/ethnic groups also vary by service type.

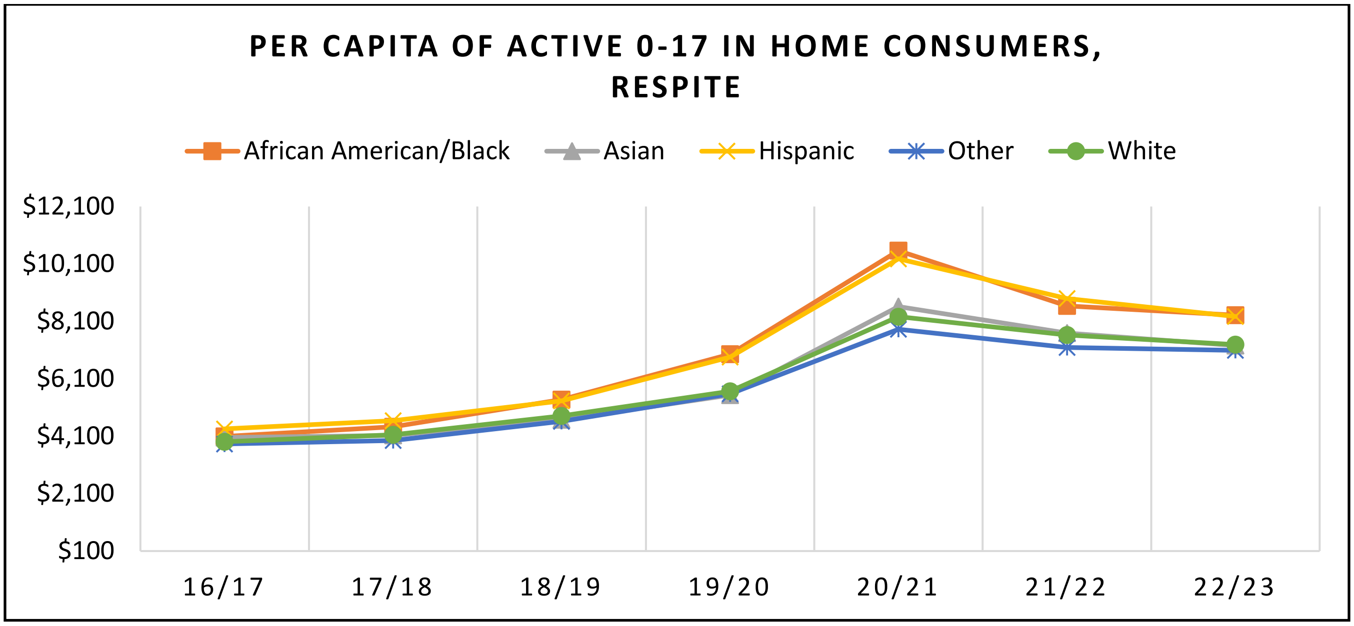
Average POS for Early Start Services, Personal Assistance and In-Home Respite by Race/Ethnicity, FY 22/23 Infants and Children, age 0-17 Years



Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (1,2,3,8,U), regardless of whether or not services were received. Respite: In-home respite services (service codes 420, 864, and 862). PA: Personal Assistance.

- In-home respite POS among infants and children ages 0-17 was highest among Hispanic and African American/Black, at $8,274 and $8,311 respectively.
- Early Start POS was highest for Asian and Hispanic at $5,967 and $5,228 respectively.
- Personal Assistance (PA) was highest for African American/Black and White, at $19,924 and $19,471 respectively, and lowest for Asian and Hispanic, at $17,431 and $17,198 respectively.

Trends in Average POS for In-Home Respite by Race/Ethnicity, FY 22/23 Infants and Children, age 0-17 Years



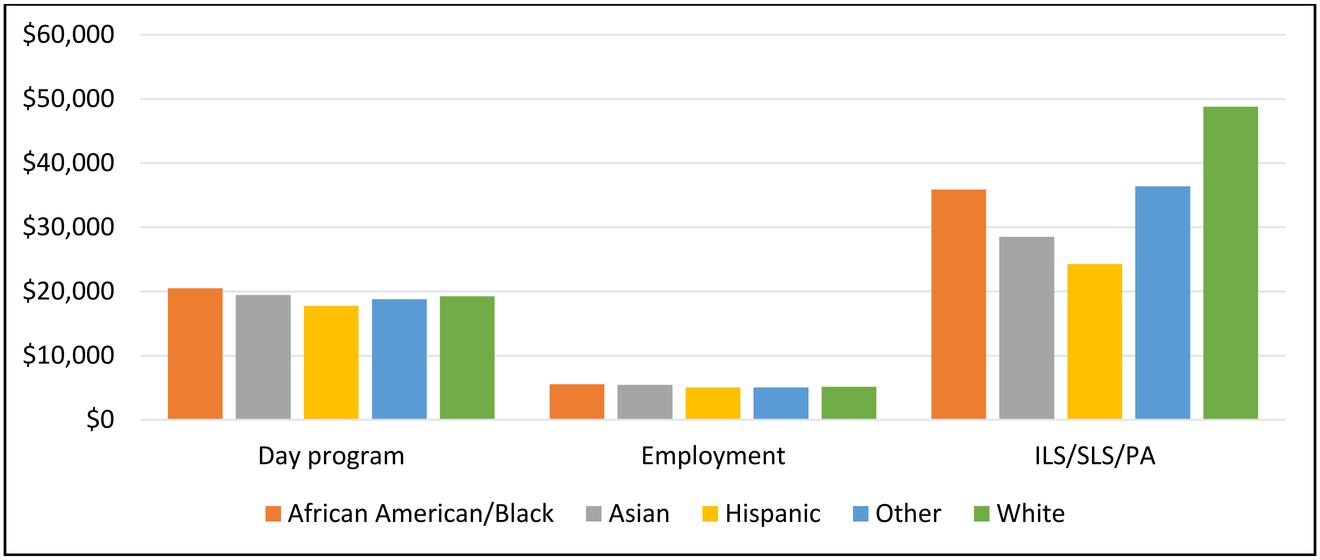
Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (1,2,3,8,U), regardless of whether or not services were received. Respite: In-home respite services (service codes 420, 864, and 862)

Among infants and children ages 0-17 years, average POS for in-home respite has been consistently highest for consumers reported as Hispanic and African American/Black.

- In 2016-17:
  - Average POS was highest among Hispanic and African American, at $4,356 and $4,092, respectively.
  - Average POS was lowest among those with ‘Other’ reported race/ethnicity and White, at $3,831 and $3,908 respectively.

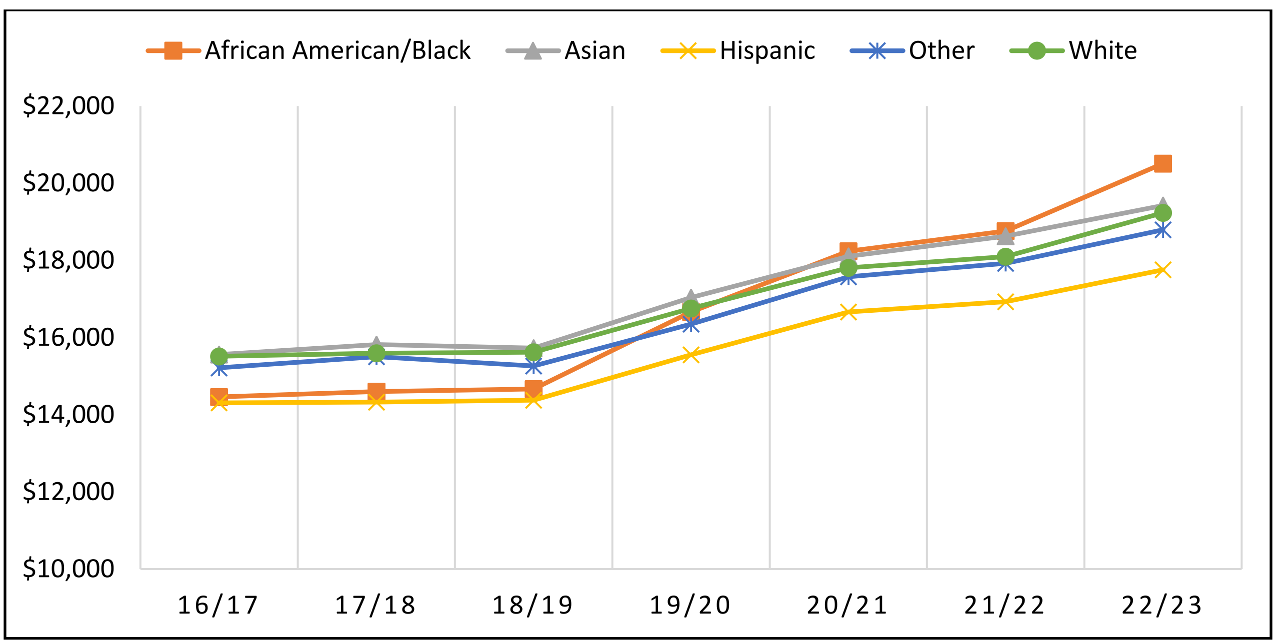
- By 2022-23:
  - POS ranged from $7,087 for infants and children with ‘Other’ reported race to $8,311 for African American/Black, a difference of roughly 17%.
  - Average POS remains highest among Hispanic and African American/Black, at $8,274 and $8,311 respectively, and lowest among those with ‘Other’ race and White, $7,087 and $7,293 respectively.

Average POS by Service Group and Race/Ethnicity, FY 22/23
Age 18 Years and Older



Data Source: Client Master File and State Claims File records. Run date: January 30, 2024. Data reflects all consumers with active status (codes 2,3,8,U).

Trends in Average POS by Race/Ethnicity
Age 18 Years and Older
Day Program



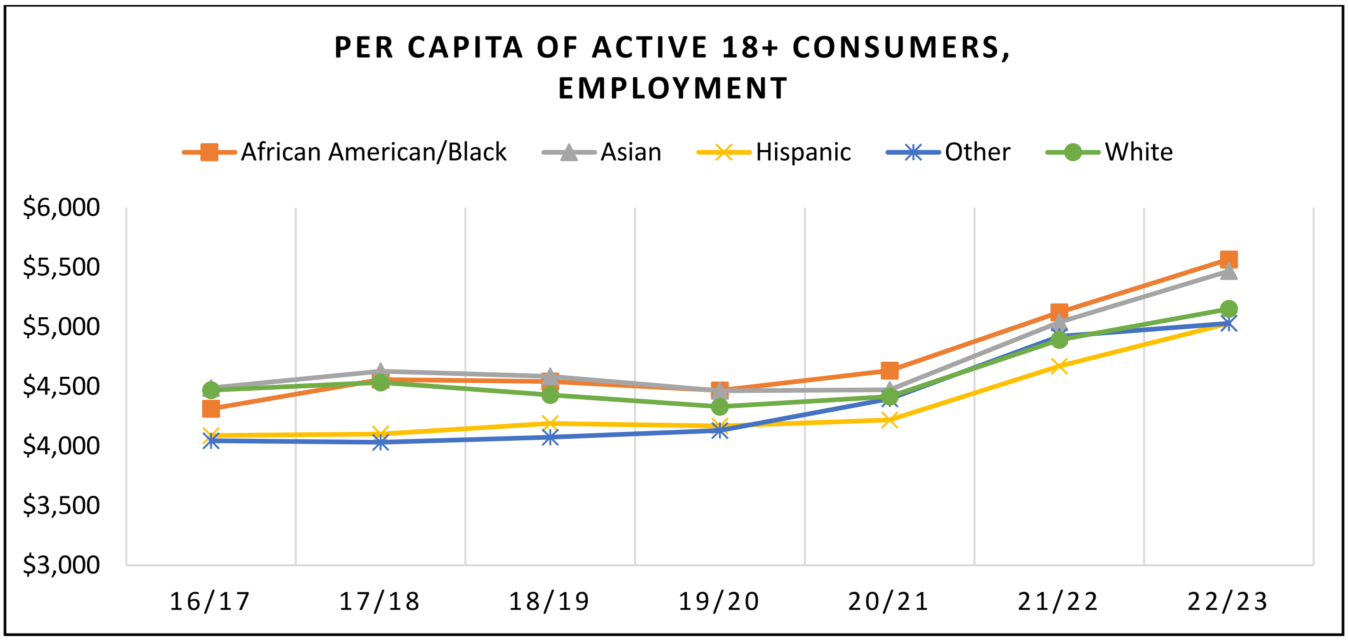
Data Source: Client Master File and State Claims File records. Run date: January 30, 2024.

Within Day Programs, average POS has increased for all racial/ethnic groups. However, the racial/ethnic distribution has shifted. Consumers reported as African American/Black, who had some of the lowest POS expenditures in 2016-17, had the highest average expenditures in 2022-23.

- 2016-17:
  - Average POS was highest among consumers reported as Asian and White, at $15,560 and $15,515 respectively, and lowest for Hispanic and African American/Black, at $14,308 and $14,462 respectively.

- 2022-23:
  - Average POS was highest among African American/Black and Asian, at $20,510 and $19,422 respectively, and lowest for Hispanic and those with 'Other' reported race, at $17,756 and $18,793 respectively.

Trends in Average POS by Race/Ethnicity
Age 18 Years and Older
Employment Programs



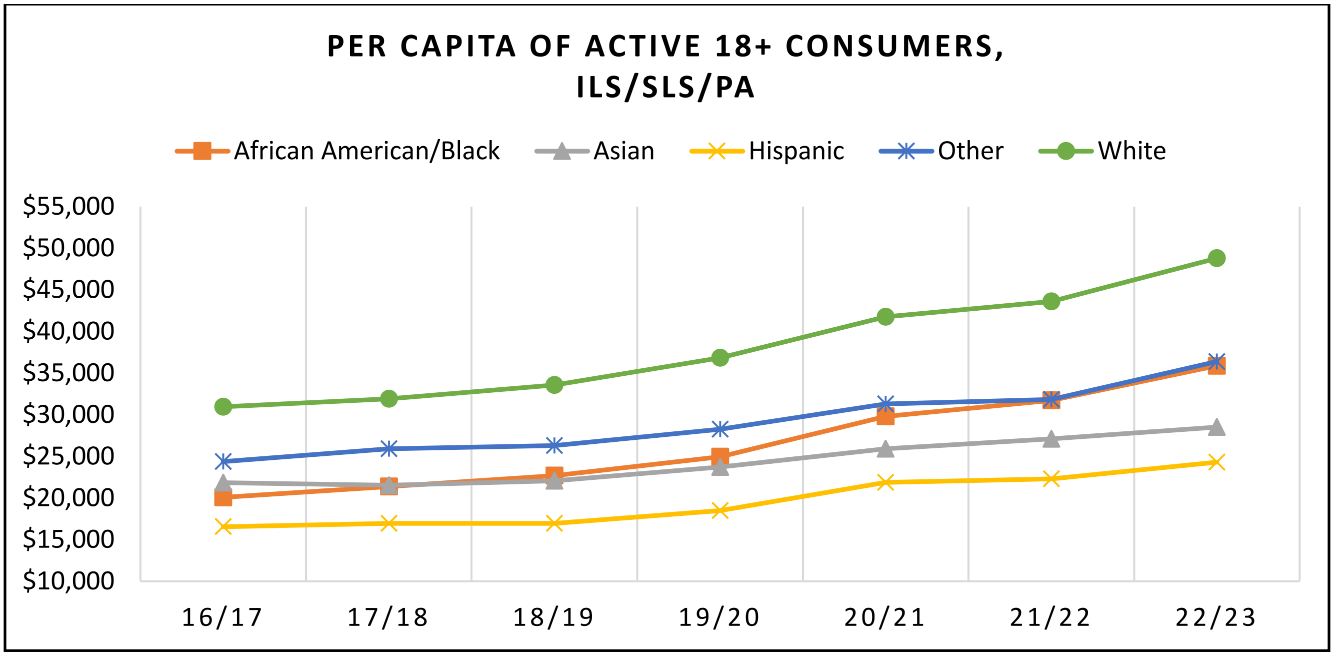
Data Source: Client Master File and State Claims File records. Run date: January 30, 2024.

Average spending on Employment services has risen for all racial/ethnic groups.

- In 2016-17:
  - POS was highest for consumers reported as Asian and White, at $4,490 and $4,470 respectively.
  - POS among consumers reported as Hispanic was among the lowest, at $4,089.

- In 2022-23:
  - POS was highest for consumers reported as African American/Black and Asian, at $5,567 and $5,468 respectively.
  - Slight difference in POS for consumers reported as White and Hispanic, $5,151 vs $5,030, respectively.

Trends in Average POS by Race/Ethnicity
Age 18 Years and Older
ILS/SLS/PA



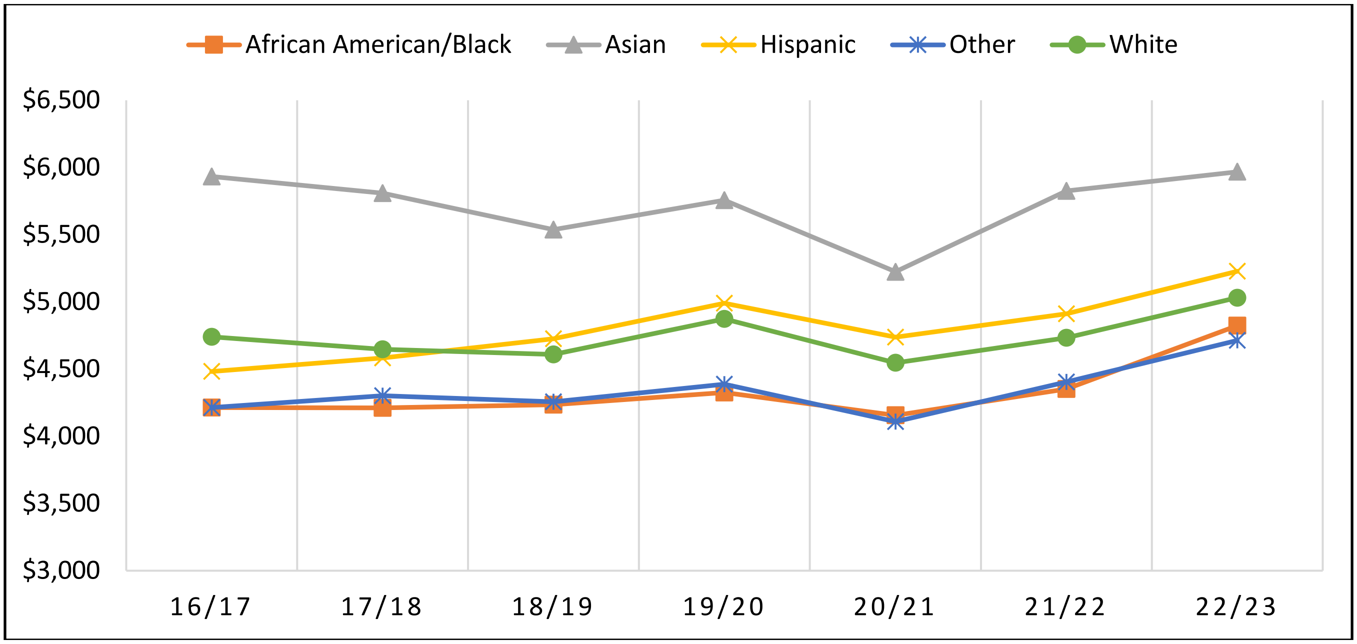
Data Source: Client Master File and State Claims File records. Run date: January 30, 2024.

Although cultural preferences may influence decisions about residence type and supportive services, spending patterns in Independent Living Skills (ILS), Supported Living Skills (SLS), and Personal Assistance (PA) may reveal inequities and opportunities for disparity reduction.

- In 2016-17, consumers reported as White, representing the highest spending group, spent roughly 87% more on ILS/SLS/PA than consumers reported as Hispanic, representing the lowest spending group.
  - Average POS for consumers reported as White and Hispanic was $30,958 and $16,548 respectively.

- In 2022-23, consumers reported as White and Hispanic still represented the highest and lowest spending groups on ILS/SLS/PA, with White spending roughly twice as much as Hispanic individuals.
  - Average POS for consumers reported as White and Hispanic was $48,792 and $24,304, respectively.
  - The difference between expenditures for consumers reported as White and Hispanic has increased.

Trends in Average POS by Race/Ethnicity
Infants and Children
Early Start Services



Among children receiving Early Start services, average spending has increased in recent years for all racial/ethnic groups.

- In 2016-17, POS was lowest for consumers reported as African American/Black and those with ‘Other’ reported race, at $4,214 for both. Consumers reported as Hispanic had the next lowest POS, at $4,482.
- Expenditures were consistently highest among consumers reported as Asian, ranging from $5,933 in 2016-17 to $5,967 in 2022-23.
- Consumers reported as Hispanic had among the lowest POS in 2016-17, in 2022-23, they represented the second highest spending, at $5,228.
- In 2022-23, Consumers reported as White had average expenditures of $5,031.

Panel

Questions for the Panel:

◊ How is implementation of the 2023 changes going? Are there specific impediments or challenges?

◊ What does the data tell us about whether the system is improving or not on narrowing racial, ethnic, and geographic disparities?

◊ What are key and specific strategies that we should be mindful of and act on as a state to further the cause of equitable access for all Californians under the Lanterman Act?

- Brian Winfield, Chief Deputy Director, Program Services and Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Vivian Haun, Senior Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Judy Mark, President, Disability Voices United and Parent of Person Served by a Regional Center
- Fernando Gomez, Parent and Co-Founder, Integrated Community Collaborative
- Michi Gates, Executive Director, Kern Regional Center

Staff Comments

Staff Recommendation: The Subcommittee could request that the information that was provided for this agenda be included as a regular written update in the Quarterly Meetings that are conducted with Legislative staff pursuant to statute, to assist in tracking on: (1) the steps toward implementation of the Equity changes that were instituted in SB 138, Chapter 192; and, (2) the progress, or lack thereof, and complicating factors in narrowing and evaluating disparities in the developmental services system over time.

Issue 7: Social Recreation and Camp Services Implementation Oversight

Implementation of Social Recreation and Camp Restoration. Effective July 1, 2009, statute was enacted that suspended regional centers' authority to purchase social recreation services, camping services, educational services for children aged three to 17, and nonmedical therapies. Welfare and Institutions Code 4648.5 was suspended and subsequently repealed, effective June 30, 2021. There is an annual appropriation of $51.9 million total funds included in the DDS budget for these services.

The Department provided guidance to regional centers on November 3, 2023 regarding the statutory changes impacting social recreation, camping and nonmedical therapies. The legislative intent language contained in W&I Code section 4688.22(a) is that regional centers not only refer individuals to existing service opportunities related to social recreation, camping and nonmedical therapies, but to fund those services, along with supports needed to access them, to increase the availability of vendors, and to expedite vendorizations. W&I Code section 4512(b) in part states: "'Services and supports for persons with developmental disabilities' means specialized services and supports or special adaptations of generic services and supports directed toward the alleviation of a developmental disability or toward the social, personal, physical, or economic habilitation or rehabilitation of an individual with a developmental disability, or toward the achievement and maintenance of an independent, productive, and normal life." In light of the Legislature's intent to increase access to these services as stated in W&I Code section 4688.22(a), regional centers must not use W&I Code section 4512(b) to restrict funding of these services to only those that are specialized or directed toward the alleviation of a developmental disability.

The following information was provided by DDS in response to questions as an update on the implementation of this restored service.

a. **How is DDS assuring that RCs are not unduly restricting access to social recreation and camp services?**

- DDS requested updated social recreation, camp and non-medical therapies POS policies for review and approval by DDS for compliance with changes to WIC 4688.22.

- DDS guidance to RCs:
  - Correspondence on November 16, 2022 – Guidance on payments.
  - Correspondence on November 3, 2023 – Guidance on changes to WIC 4688.22. (translated into Arabic, Japanese, Korean, Laotian, Russian, Spanish, Tagalog and Vietnamese)
  - Correspondence on February 6, 2024 – additional guidance related to legislative intent, funding one-to-one services, expedited vendorization, etc. (translated into Arabic, Japanese, Korean, Laotian, Russian, Spanish, Tagalog and Vietnamese)

- The Office of Community Operations or the Ombudsperson follows up and tracks complaints.

- DDS training to RC staff pending final scheduling.

b. What is the state's policy on 1:1 services, co-payments, reimbursement, and the use of a financial management service (FMS)?

- When considering funding social recreation, camping and non-medical therapies, regional centers must not apply nor include in purchase of service policies, the requirement that services meet both a recreation and socialization need, nor may a regional center prohibit the purchase of one-to-one services.

- Per WIC 4688.22(b)(3) copayments are not allowed.

- Use of FMS is an option now under participant-directed services – please refer to DDS correspondence 11/3/23. By way of written directive this was implemented (service description – enclosure F).

c. How can the RC Liaisons assist with better top-down communication clarity about the state's intention for this restored service?

- The RC liaisons review and provide input on regional center purchase of service policies.

- The liaisons make regional centers aware of the directives. These directives provide the guidance and direction that regional centers need to consider in implementing and considering requests for social recreation.

- Liaisons provide monitoring and information through calls received from the community, and through their attendance at board meetings and other regional center community meetings. When liaisons or the Ombudsperson Office become aware of community concerns and issues pertaining to regional centers' social recreation purchase of service policies and funding practices, follow-up is provided with regional centers to resolve policy or individual issues. The information is used to monitor trends and inform broader system awareness and DDS guidance.

- Liaison teams review service appeals and hearings information and data. They also monitor this data for the purpose of identifying any trends related to an increased number of appeals and hearing requests related to social recreation, which can be used to follow-up with the regional center for broader improvement.

Panel

Questions for the Panel:

◊ What have been the issues with the restored implementation of social recreation and camp services?

◊ Have these issues been resolved? What are remaining areas of concern from a state government perspective?

◊ Would implementation be improved by clarifying underlying issues and legislative intent in trailer bill for the 2024 Budget?

- Brian Winfield, Chief Deputy Director, Program Services, Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Vivian Haun, Senior Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Daniel Antunez, Self-Advocate, Integrated Community Collaborative
- Patrick Ruppe, Executive Director, Harbor Regional Center

Staff Comments

Staff Recommendation: The Subcommittee could request that the Administration and ARCA together report back on trends and barriers in utilization of social recreation and camp services starting April 1, 2024, with regular reporting at quarterly intervals. This reporting should also include the indication of issues and misunderstandings in implementation that are creating barriers to this service for families. The reporting should also include the input of the Regional Center Liaisons as the on-the-ground state presence at regional centers who are intended to assist with communication and clarification of state policy for the provision of developmental services.

The Subcommittee could also request that the Administration engage with the Subcommittee and Chair’s staff and stakeholders to craft draft trailer bill language that would clarify the social recreation and camp services policy, aligning, to the extent appropriate, with the clarifications in the DDS directives and that capture more explicitly legislative intent for the availability of these services. A draft of consensus, or as close to as possible, trailer bill language could be requested to come back to the Subcommittee for consideration before or by April 1, 2024.

Issue 8: Individual Program Plan and Individual Family Service Plan Meetings Governor's Trailer Bill Proposal

Trailer bill in 2023 extended remote Individual Program Plan (IPP) and Individual Family Service Plan (IFSP) meetings until June 30, 2023, with the understanding that there would be a process and proposal on what would occur post the current fiscal year. The Governor's Budget includes trailer bill language on this issue. Stakeholders and Members have been working on alternatives to this approach, which will be discussed under this issue.

Governor's Trailer Bill Proposal. The following information is from the Administration for this proposal.

Welfare and Institutions Code section 4646 outlines the intent and process of developing individual program plans (IPPs) for individuals served by regional centers. These planning efforts are a series of interactions among a planning team including the individual with an intellectual/developmental disability, their family (as applicable) or other authorized representative, regional center representative(s), and others as invited by the consumer or family, as appropriate. IPPs must be reviewed and modified by the planning team at least once every three years.

In March 2020, in response to the COVID-19 Pandemic, DDS waived requirements for in-person IPP meetings through department directive. Currently, statute adopted through the budget process expressly allows remote IPP meetings through June 30, 2024, if requested by a consumer or, if appropriate, their parents, legal guardian, conservator, or authorized representative.

DDS proposes statutory changes outlining expectations associated with the development of IPPs and identified goals and outcomes. Intent language also articulates the value of relationship-building through the IPP process and the importance that face-to-face contact can have in helping identify the needs of individuals as effectively as possible (some things may not be as apparent in remote settings, for instance) and in determining appropriate and timely services.

The Governor's proposed statutory changes update WIC section 4646, subdivision (a) to articulate and reflect the expectation that the development of the IPP development and implementation is conducted using a person-centered approach that identifies services and supports intended to help consumers achieve their personal outcomes and life goals and promote inclusion in their communities.

The Administrations states that these changes also preserve flexibility in when and where consumers and families engage in the IPP process that existed before the COVID-19 Pandemic while acknowledging the significance of, and the priority that should be placed on, face-to-face contact and in-person interaction. The face-to-face contact should be at a time and location preferred by the individual, or, if appropriate, their parents, legal guardian, conservator, or authorized representative. Further, the language recognizes the value of, and makes an allowance for having supporters or advocates participate in IPP meetings at the invitation of consumers. The intent of this language is to reflect ongoing conversations in how to arrive at a collaborative approach that maximizes the effectiveness of IPPs in helping individuals identify and achieve their life goals and outcomes.

Panel

Questions for the Panel:

◊ What do the panelists recommend for the continuation of IPP and IFSP remote meetings?

◊ What is the optimal policy scenario for remote meetings to maximize access for harder to serve, isolated, and disadvantaged families and individuals with IDD?

- Brian Winfield, Chief Deputy Director, Program Services, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Will Leiner, Managing Attorney, Intellectual/Developmental Disabilities Practice Group, Disability Rights California
- Rubi Saldana, Parent & Co-Founder-ICC Community Integradora, Integrated Community Collaborative
- Lori Banales, Executive Director, Alta California Regional Center

Staff Comments

Staff Recommendation: The Subcommittee could request that the Administration engage with the Subcommittee and Chair's staff and stakeholders to craft draft trailer bill language to establish a new policy for the provision of remote IPP and IFSP meetings going forward. A draft of consensus, or as close to as possible, trailer bill language could be requested to come back to the Subcommittee for consideration before or by April 1, 2024.

Issue 9: Self-Determination Program Update and Participant Choice Specialists Positions Elimination

Self Determination Program (SDP) Background. The SDP provides individuals and their families with more flexibility, control, and responsibility in choosing services and supports to help them meet objectives identified in their Individual Program Plans. Effective July 1, 2021, the program became available on a voluntary basis to all regional center individuals who meet the eligibility requirements to participate in the SDP. From July 1, 2018, through December 31, 2023, a total of 3,807 individuals chose to receive their regional center services through the SDP service delivery model.

Participant Demographics. The following data was provided by DDS and was collected as of December 31, 2023:

Ethnicity:

- Asian (16%), Black/African American (5%), Hispanic (21%), White (44%), and Other (14%).

The "other" category represents ethnicities not included in other categories, multiple ethnicities, and individuals with no recorded ethnicity.

Disability Type:

- Intellectual Disability (26%), Autism (49%), Cerebral Palsy (9%), Epilepsy (8%) and Other (8%).

Age:

- 40% between the ages of 3 to 17 years old, 17% between the ages of 18-22 years old, and 3% that are 55+ years old.

Budget and Expenditures. The program includes services throughout multiple budget categories, and for 2022-23, total claims amounted to $139.1 million total fund. Additionally, the Governor's Budget includes recent policies and resources that are separate from SDP participant expenditure trends:

Ongoing regional center operations funding of $4 million total fund to support regional center operation costs, including for collaboration with local volunteer advisory committees and assistance for participants in their transition into the SDP.

Self-Determination Ongoing Implementation. This policy supports enhanced transition support services for individuals and families to assist with the transition into SDP, as well as regional center operations costs for statewide orientation and training materials. The budget year includes a decrease of $7.2 million total fund to regional center operations reflecting the end of three-year limited-term funding in 2023-24 for Participant Choice Specialists, which were intended to help regional centers support the initial statewide expansion of SDP. Regional centers may use existing allocation of funds to support individuals and/or families to transition to SDP. Additionally, DDS is exploring the development of quality incentives under the regional center performance measures specific to SDP, that can provide further allocation of operations funding where they have discretion to support SDP efforts.

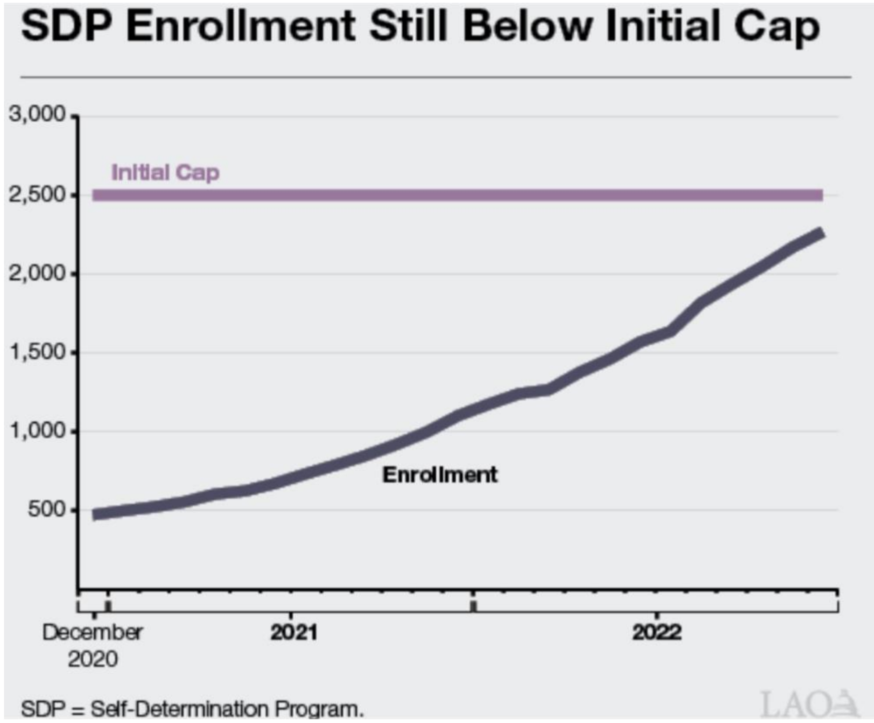
	FY 2023-24	FY 2024-25
Operations	7,800	600
Purchase of Services	3,395	3,600
TOTAL	11,195	4,200

Historical Background. The following additional background is based on an older analysis provided by the LAO.

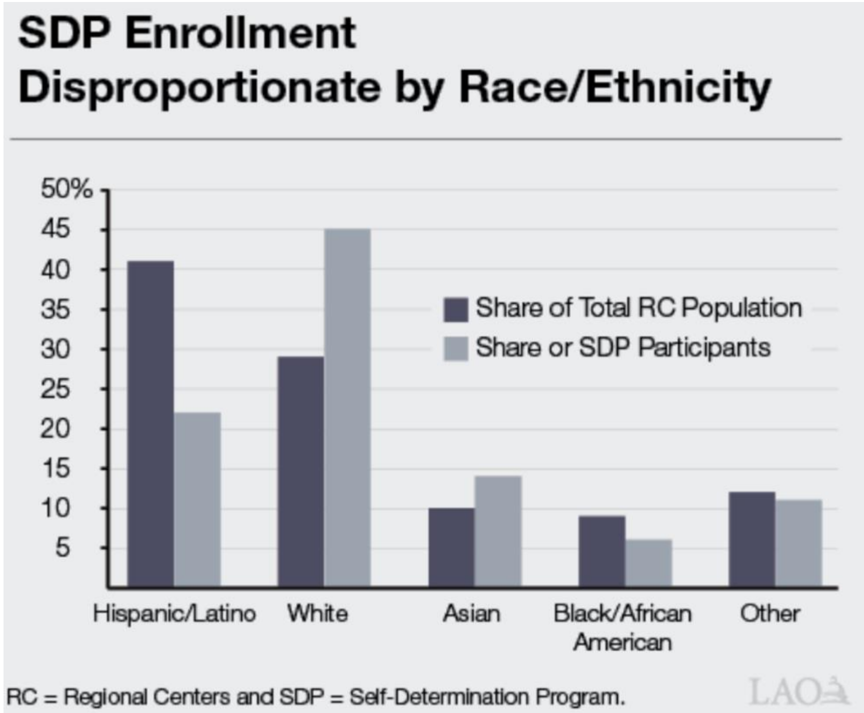
Roll Out of the Self-Determination Program (SDP). The SDP offers an alternative to traditional service coordination. Chapter 683 of 2013 (SB 468, Emmerson) created SDP to provide consumers greater control over which services they will receive and from whom. Participants are provided a fixed amount of resources (based on that participant's purchase of service expenditures over the prior 12 months) with which to purchase the services of their choosing.

State Has Made Numerous Recent Investments to Support SDP. The 2020-21 spending plan included $4.4 million total funds ($3.1 million General Fund) ongoing to support administration of SDP. In addition, the 2022-23 spending plan provided $7.2 million total funds ($4.4 million General Fund) ongoing to cover the costs of Financial Management Service providers for SDP participants. Financial Management Services are outside firms that help consumers manage their budgets and purchase services. Under prior law, participants were required to pay for these costs from their fixed funding amount.

SDP Rollout Continues to Lag. Chapter 683 created a phase-in period for SDP, limiting enrollment during the first three years to 2,500 individuals. During these first three years (July 2018 through June 2021), DDS and RCs enrolled just 625 participants, with two RCs enrolling fewer than ten people. Per Chapter 683, the program was made available to all interested consumers as of July 2021. As the figure below from the LAO shows, enrollment has grown steadily since the program was opened to all, but has not quite reached the initial 2,500-person cap.



Racial/Ethnic Disparities Apparent in SDP Rollout. *The LAO points out that* enrollment in SDP does not reflect the racial/ethnic composition of the DDS consumer population. The figure below from the LAO shows that white consumers comprise a plurality of SDP participants (45 percent), despite making up only 30 percent of all DDS consumers. By comparison, Latino consumers comprise only 23 percent of SDP participants, but 40 percent of all DDS consumers. These disparities may speak to specific challenges in promoting the SDP to some communities. The LAO notes that as with disparities in spending, better understanding the drivers of disparities in SDP enrollment could help the state develop a coordinated plan for ensuring greater take-up of this program across all consumers.



Panel

Questions for the Panel:

◊ What accounts for the slow ramp up of the Self-Determination Program?

◊ What are the cost implications of the SDP in the long-run?

◊ Are there risks of discontinuing the Participant Choice Specialists?

- Vicki Smith, Deputy Director, Policy and Program Development Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Judy Mark, President, Disability Voices United and Parent of Participant in the Self-Determination Program

Staff Comments

Staff Recommendation: Hold open.

Issue 10: Governor's Proposal to Delay Preschool Inclusion Grants

Proposal Is in Addition to Previous Two-Year Delay. The 2022-23 budget package included $10 million General Fund of ongoing funding for grants to enable preschool programs to include more children with exceptional needs. The Governor proposes delaying the implementation of this program until 2026-27.

When this proposal was initially made in 2022, it was a component of a larger set of changes at DDS impacting early childhood and transition to schools that included improving service coordinator caseload ratios and hiring regional center and DDS specialists. The proposal also complemented one-time projects funded with American Rescue Plan Act (ARPA) funds ($23.9 million) provided July 1, 2021 and available through September 2023. The one-time projects supported with ARPA funds focus on training for earlier intervention service providers to provide more culturally and linguistically sensitive services, supporting families when they first receive their child's disability diagnosis, outreach and education to underserved populations (to increase Early Start take-up rates), and providing technology tools related to screening and assessments.

When the proposal was considered in 2022, it was noted by the Legislative Analyst's Office (LAO) that the proposal lacked sufficient detail to assess it. For example, the proposal did not identify whether the preschools include only state preschools or all preschools of any type. DDS subsequently indicated the proposal would include non-state preschools, particularly those in underserved areas. The DDS proposal did not define what "disability" means in terms of inclusion. The DDS proposal did not explain how the $10 million estimate was developed, how it would use the funding to create inclusive preschools, or exactly how it would coordinate efforts with CDE.

Panel

Request for the Panel:

◊ Please explain the Governor's Budget proposal for this delay and if there are any impacts for children served in the developmental services system.

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO notes that questions raised in prior years about the design of these grants remain unanswered. Some of these questions raised previously are below:

- How will DDS identify and reach out to providers that need support to ensure their programs are inclusive?

- What would constitute inclusion for a preschool to receive support from DDS?

- Why is the administration proposing $10 million for this purpose? How many and what share of preschools is this amount meant to help? What exactly will this $10 million be used for?

The LAO comments further that given that the Governor's budget projects multiyear deficits (in addition to the current budget problem), the Legislature may wish to consider eliminating this program (which has not yet been implemented).

Staff Comments

Staff Recommendation: Hold open.

Issue 11: Home and Community-Based Services (HCBS) Federal Final Rule Compliance Oversight

Background. In early 2014, the federal Centers for Medicare and Medicaid Services (CMS) published final regulations affecting 1915(c) Waiver programs, 1915(i) State Plan programs, and 1915(k) Community First Choice State Plans for Home and Community-Based Services (HCBS) provided through Medicaid. The purpose of the regulations is to provide services to individuals in HCBS settings that are integrated and support full access to the community. States were required to comply with the majority of these regulations by March 17, 2023. In recognition of the COVID-19 Pandemic's adverse impact on the workforce, CMS encouraged states to request additional time to meet certain requirements. California requested an extension to coincide with the multiple workforce initiatives in progress.

Corrective Action Plan. California has a corrective action plan (CAP) approved by CMS that requires all activities necessary for compliance with the HCBS settings requirement to be completed by December 31, 2024. The CAP includes interim milestones, including the completion of visits/reviews at 25 percent of settings by February 29, 2024. Through the end of January 2024, reviews have occurred at 12 percent of settings. Of the settings reviewed to date, 71 percent have practices and policies aligned with the HCBS settings requirements and the remaining settings are developing plans to address needed changes. At the current pace of reviews and activities, DDS states that it anticipates meeting the December 31, 2024, deadline.

Current Activities Toward Implementation. The following activities are underway to meet not only the requirements of the CAP, but also enhance ongoing compliance with the HCBS settings requirements, including strengthening person-centered practices:

- The issuance of a directive to regional centers on December 1, 2023, to complete on-site monitoring of all settings by August 31, 2024. This directive gives regional centers the authority to issue provider corrective action plans to remediate areas found to be out of compliance.
- Continued training efforts for individuals who receive services and their families, such as working to develop short, clear, and easily understood training videos accessible to all people with lived experience to access in multiple languages.
- Continued funding and development of training and outreach to individuals served and their families regarding the HCBS settings requirements.
- Implementation of performance incentives for regional centers to provide more extensive training and expand the competencies of case management staff who facilitate person-centered service planning through certified training programs.
- Implementation of a four-year set of performance measures which include formal training for all regional center staff who support individuals and families in the facilitation of person-centered service planning.

- Development of a tool for individuals served and their families to evaluate the effectiveness of the person-centered planning skills of their case management staff.

- Development of, in conjunction with a statewide community workgroup, a person-centered service planning template.

- Increased and regular oversight, training and technical assistance related to the HCBS settings requirements. DDS will provide on-going training and technical assistance for all individuals responsible for these oversight activities.

Resources for this Effort. The following resources have been provided to support HCBS Final Rule Compliance:

Headquarters:

The 2023 Budget Act included $1.3 million ($1.0 million General Fund) and ongoing for nine (9.0) positions beginning in 2023-24 to support DDS's workload associated with efforts to comply with HCBS requirements. This includes the validation of service provider assessments, remediation, heightened scrutiny of residential and non-residential settings, and updating ongoing monitoring procedures.

Regional Center Operations:

The 2023 Budget Act included $4 million ($2.7 million GF) in 2023-24 and $5.3 million ($3.6 million GF) in 2024-25 and ongoing for regional centers to continue HCBS compliance efforts.

Purchase of Services:

The budget includes $15 million ($11 million GF) annually to support service provider compliance with HCBS requirements.

Status of Compliance.

HCBS Compliance Status – February 20, 2024			
Total Providers Requiring Site Visit	Total Providers with Site Visit Completed	Providers Verified Compliant	Remediation in Progress
8,085	1,081	907	174
100%	13%	11%	2%

- Data is as reported by regional centers and does not reflect all site visits completed as of 2/20/24.

- Of the 8,085 service providers requiring a site visit, 1,081 are reported to have been visited.

- Of the 1,081 reported visited, 907 (or 11% of the 8,085) were found to be in compliance and 174 (or 2% of the 8,085) are remediating issues of non-compliance.

Panel

Request for the Panel:

◊ Please explain where the state is in terms of compliance and the plan to achieve compliance by the federal deadline of December 31, 2024.

- Vicki Smith, Deputy Director, Policy and Program Development Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: The Subcommittee could request that the same compliance information that was provided for this agenda be provided for the monthly meetings that occur now with Legislative staff to update on the movement toward full federal compliance by the end of the current calendar year.

Issue 12: HCBS American Rescue Plan Act (ARPA) Funding, Expenditures, and Plans for Full Utilization Oversight

Background. On March 11, 2021, President Biden signed the ARP (Pub. L. 117-2). Section 9817 of the ARP provided qualifying states with a temporary 10 percentage point increase to the federal medical assistance percentage (FMAP) for certain Medicaid expenditures for home and community-based services (HCBS) beginning April 1, 2021, and ending March 31, 2022. The funds must be used to supplement, not supplant, existing state funds expended for Medicaid HCBS in effect as of April 1, 2021. Section 9817 also requires states to use state funds equivalent to the amount of federal funds attributable to the increased FMAP ("state equivalent funds") to implement or supplement activities to enhance, expand, or strengthen Medicaid HCBS.

The increased funding represents an opportunity for states to identify and implement changes aimed at addressing existing HCBS workforce and structural issues, expand the capacity of critical services, and begin to meet the needs of people on HCBS waiting lists and family caregivers. This funding also provides states an important opportunity to enhance individual autonomy and community integration in accordance with the home and community-based settings regulation, Olmstead implementation, and other rebalancing efforts. CMS requires participating states to submit and receive CMS approval of quarterly HCBS spending plans and semi-annual narratives on the activities that the state has implemented and/or intends to implement.

CMS expects states to expend these funds by March 31, 2025. In order to facilitate full expenditure, and to provide enough time for this as well, California adopted a deadline of December 31, 2024 for expenditure by departments as part of the 2023 Budget Act.

DDS Impact and Multi-Year Change. Total HCBS ARPA funding remains unchanged ($1.086 billion) in the Governor’s Budget for DDS from the enacted 2023-24 Budget across all fiscal years, and reimbursements have increased by $36.9 million. The primary driver is increased actual reimbursements in 2021-22 and 2022-23 than previously assumed as of the enacted 2023-24 Budget.

- Expenditures for Coordinated Family Support Service decreased by $4,997,000 and $4,003,000 for the HCBS Fund and reimbursements, respectively. These adjustments reflect revised assumptions related to the timing of purchase of service expenditures.

- Expenditures for Services Rate Model Implementation increased by $27,607,000 and $64,208,000 for the HCBS Fund and reimbursements, respectively. These adjustments reflect revised reimbursement assumptions and the redirection of funding from other DDS initiatives in the HCBS Spending Plan.

- Expenditures for Language Access and Cultural Competency Orientations and Translations increased by $6,455,000 for the HCBS Fund and decreased by $6,456,000 in reimbursements. These adjustments reflect revised reimbursement assumptions.

- Expenditures for the Modernization of Regional Center Information Technology Systems increased by $75,000 for the HCBS Fund and decreased by $75,000 in reimbursements, resulting in a net zero change in Total Funds from the enacted 2023-24 Budget. These adjustments reflect revised reimbursement assumptions.

- Expenditures for Social Recreation and Camp Services for Individuals with Developmental Disabilities decreased by $29,140,000 and $16,714,000 for the HCBS Fund and reimbursements, respectively. These adjustments reflect current trends in actual costs and utilization.

Current Year Change.

- **Funding**: The Governor's Budget reflects an HCBS Fund/Reimbursement increase of $104.6 million compared with the Enacted Budget. The primary driver of this increase is the delay in claims in 2021-22 and 2022-23 in Social Recreation and Camping Services and Coordinated Family Support. These remaining HCBS resources have been shifted to the Current Year and applied primarily to the Service Provider Rate Reform to maximize eligible claims given the limited availability of the HCBS Fund. The Governor's Budget estimates that all HCBS Fund/Reimbursement funding will be expended by the end of Fiscal Year 2023-24 (with liquidation continuing through December 2024).

- **Social Recreation and Camping Services:** Given actual costs and utilization trends, the Governor's Budget updates the fiscal for this initiative, retaining $19.7 million ($12.8 million GF) from the Enacted Budget while shifting $22.9 million in ARPA/reimbursement funding to Service Provider Rate Reform to maximize eligible claims given the limited availability of the HCBS Fund.

- **Service Provider Rate Reform (POS):** Reflects an HCBS Fund/Reimbursement increase of $91.5 compared with the Enacted Budget due to fund shifts from past/prior years and Social Recreation and Camping Services to this initiative.

- **Other Initiatives:** The Governor's Budget proposes no changes to Language Access and Cultural Competency and Coordinated Family Support fund sources from Enacted Budget, retaining the same HCBS Fund and General Fund assumptions. The Department continues to monitor expenditure trends as part of the May Revision process.

Panel

Questions for the Panel:

◊ Please explain where the state is in terms of full utilization of HCBS ARPA funds and if there are any concerns about full expenditure by the deadline of December 31, 2024.

◊ With regard to Coordinated Family Supports, when will the pilot end and what will occur post-pilot? Will there be an evaluation to assess whether the pilot sheds light on the service disparities for Latinx consumers and potential opportunities to reduce them?

◊ How many providers were approved to provide Coordinated Family Supports and were these sufficient?

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The Legislative Analyst's Office (LAO) has provided the following regarding the Coordinated Family Supports program, funded with HCBS funds:

Longstanding Interest in Spending Disparities Among Racial/Ethnic Groups. Starting in 2011-12, state law requires all regional centers to periodically publish data on the amount spent on services for consumers disaggregated by the race/ethnicity of these consumers. These data consistently have shown large disparities in the average amounts spent among these groups. In particular, spending for Hispanic/Latino consumers is about half that for white consumers on average. (We raised concerns about spending disparities in a previous analysis, which provides additional context on this topic.)

Coordinated Family Support Pilot Intended to Help Identify and Address Disparities. DDS reports that adult Hispanic/Latino consumers are more likely than white consumers to live at home and thus consume fewer residential services. While this could be one contributing factor to lower spending levels for Hispanic/Latino consumers, the circumstances of living at home could mask service needs that are not being met. In response to this spending disparity, DDS created a pilot program for Coordinated Family Support targeted at the population of consumers 18 years and older who choose to live in their family homes. Services provided through the Coordinated Family Support pilot are intended to be tailored to each family's unique needs and to respect the language and culture of each family. The department utilized funding for HCBS under the American Rescue Plan Act (ARPA) to help fund the pilot. The expenditure deadline for all HCBS ARPA activities is December 31, 2024.

Department Stated Intent to Collect Data on Pilot. The department stated in 2023 that regional center service coordinators are responsible for distributing an experience questionnaire to consumers and families receiving Coordinated Family Support. Service coordinators must then submit questionnaire responses to the department. Additionally, the department stated that regional centers must submit quarterly reports on pilot implementation.

Evaluation Would Reveal Outcomes From the Pilot and Provide Opportunities for Legislative Oversight. Once the pilot concludes, a program evaluation would be warranted to assess whether the pilot sheds light on the service disparities for Hispanic/Latino consumers and potential opportunities to reduce them. The department has not yet announced an end date for the pilot. For now, the department indicates that it is still implementing the pilot and approving service providers to provide Coordinated Family Support services. To assess whether additional General Fund spending on these services—or other policy actions—could be warranted in future budgets, we recommend that the Legislature ask DDS to provide more details on its plan to evaluate the pilot. Based on the evaluation, the Legislature could consider whether the pilot merits continuation and any potential modifications to improve efficacy. Questions the evaluation could include are: Did the pilot identify gaps in consumers' service needs? Did participants consume more services as a result? Do the department's findings suggest that spending disparities are driven by barriers consumers have faced in the developmental services system? Were there a sufficient number of providers approved to provide Coordinated Family Supports?

Staff Comments

Staff Recommendation: The Subcommittee could request an update on at least a quarterly basis, starting April 1, 2024, and continuing through the full expenditure and closure of books for HCBS APRA funds, tracking utilization of the available funds per program in the interest of greater transparency.

In addition, the Subcommittee could also request a briefing with DDS and Legislative staff to discuss the questions raised in the agenda from the LAO about Coordinated Family Supports.

Issue 13: Family Cost Participation Program and Annual Family Program Fees Governor's Trailer Bill Proposal

Governor's Trailer Bill Proposal. The following information is from the Administration for this proposal.

Since the onset of the COVID-19 Pandemic in March 2020, the Family Cost Participation Program (FCPP) and Annual Family Program Fee (AFPF) have been suspended either through department directive or statute. Pursuant to the Budget Act of 2023, both programs are currently suspended through June 30, 2024.

The FCPP and AFPF are two of three programs administered by the Department of Developmental Services (DDS) that assess costs on parents who earn specified income thresholds above the federal poverty line, which vary depending on family size. The FCPP and AFPF do not apply if children are on Medi-Cal.

Descriptions of the three programs are as follows:

- Family Cost Participation Program: Welfare and Institutions (W&I) Code section 4783 established the FCPP, requiring regional centers to assess a cost participation for parents of any child through 17 years of age authorized to receive respite, day care and/or camping services in their individual program plan or individualized family service plan.

- Annual Family Program Fee: W&I Code section 4785 established the AFPF, requiring regional centers to assess an annual fee to parents of children through 17 years of age when the child or family receives services beyond eligibility determination, needs assessment, and service coordination. Parents are not required to pay an annual fee if the child receives only respite, day care or camping services from the regional center, and a cost for participation is assessed to the parents under the FCPP.

- Parental Fee Program (PFP): W&I Code section 4784 established the PFP which requires DDS to assess a monthly fee to parents of children under 18 years of age who are receiving 24-hour out-of-home care services. After having been suspended during the COVID-19 Pandemic, the PFP has since restarted with fees becoming effective August 2023.

Fees collected from the AFPF and PFP are deposited into the Developmental Disabilities Program Development Fund (PDF) and can be expended as prescribed by statute to support new programs, expand existing ones, or offset existing General Fund costs. The FCPP is a cost avoidance (cost share), not a fee, and is determined by the regional center when FCPP eligible services are being authorized.

After reevaluating the programs during their suspension, DDS proposes to repeal the FCPP and AFPF programs effective July 1, 2024.

With regards to the FCPP, regional centers have reported that this program is the most complex to administer, hard to explain to families, and because of the complexities, resulted in a low rate of participation. Although intended to achieve cost avoidance, the actual fiscal impact is indeterminate. Additionally, when families are informed that they will need to pay for part of their services, they may decline regional center services altogether.

The AFPF is administered by regional centers, which assess the fees. This process has resulted in variations in program administration and varying degrees of program compliance across the state. Although historical AFPF revenues have ranged from approximately $900,000 to $1.3 million from fiscal years 2014-15 to 2018-19, the actual costs associated with regional center administration is unknown.

In some communities, both programs may create distrust of regional centers, impacting parent/service coordinator relationships.

Fiscal Impact. The Administration states that the fiscal impact related to repeal of the FCPP is indeterminate. Repeal of the AFPF would result in a slight PDF fund revenue decrease in fiscal year 2024-25, which would represent phased-in revenues following the restart of the program. Fully phased-in revenues are unknown; however, pre-COVID-19 Pandemic revenues ranged between $900,000 and $1.3 million. Loss of revenues may partially be offset by reduced regional center workload. DDS does not seek any General Fund augmentation resulting from these repeals.

Panel

Request for the Panel:

◊ Please explain the trailer bill proposal.

- Steven Pavlov, Deputy Director, Financial Management Division, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: Hold open.

Issue 14: Governor's Trailer Bill Proposal on Probability Sampling and Statistical Extrapolation

Governor's Trailer Bill Proposal. The following information is from the Administration for this proposal.

Pursuant to Welfare and Institutions Code (WIC) section 4648.1, subdivision (a), the Department of Developmental Services (DDS) is authorized to exercise oversight responsibilities through the audit of service providers. WIC section 4648.1, subdivision (e) states that either DDS or a regional center (RC) may recover from a provider funds paid for services when either DDS or an RC determines that the services were not provided in accordance with the RC's contract or authorization with the provider, or with applicable state laws or regulations, and/or the rate paid is based on inaccurate data submitted by the provider on a provider cost statement. Currently, DDS auditors typically choose two months in the most recently completed fiscal year and examine all claims for services provided during those months. If material audit overpayments are found in the sample months, extensive audit staff time is required to extend the testing to the full year (or longer) to recapture more significant overpayments.

With approximately 80 percent of individuals served through DDS eligible for Medi-Cal, audits include Medi-Cal providers, and expenditures reimbursed by the federal Home and Community Based Services Waiver and State Plan Amendments (SPAs). DDS is a legally delegated extension of the Department of Health Care Services (DHCS) audit program covering Medi-Cal providers, pursuant to WIC section 4406. The department maintains accountability for all Waiver and SPA-related financial transactions through audits of service providers.

As part of its oversight work, DDS has recently employed the use of limited scope audits. These types of audits allow for increased efficiencies in DDS audit processes and are less time-intensive than full scope audits for both DDS staff and service providers. Based on limited scope audit findings, audits can become full scope audits for more detailed review and testing.

DDS proposes to use extrapolation to expand audit coverage in high-risk service areas and only for full scope audits. DDS may use statistical sampling to project the amount of overpayment to service providers when significant levels of erroneous billing are suspected and when the costs of reviewing all individual purchase of service claims of a service provider record for long periods is not administratively feasible or practical. Extrapolation would be used when a statistically valid method of probability sample testing results in a significant error rate. The proposed statutory changes are based on DHCS regulatory authority for statistical extrapolation (California Code of Regulations, title 22, section 51458.2.).

Before the extrapolation method is applied, several factors will be considered, including: the cause of the errors rate, how long the pattern of erroneous billing is believed to have existed, evidence or likelihood of fraud, total number of payment claims submitted and associated dollar amounts, and service provider good faith efforts to address the error rate.

Panel

Request for the Panel:

◊ Please explain the trailer bill proposal.

- Pete Cervinka, Chief, Data Analytics and Strategy, Department of Developmental Services
- Christopher Odneal, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Staff Recommendation: Hold open.

Issue 15: Porterville Capital Outlay Proposal in Governor's Long-Term Infrastructure Plan

Governor's Long-Term Infrastructure Plan and Porterville Developmental Center. The following information is from the Administration for this issue.

Each budget cycle, the Administration puts forward a five-year infrastructure plan, pursuant to the California Infrastructure Planning Act (Chapter 606, Statutes of 1999). This plan includes both Capital Outlay Budget Change Proposals (COBCPs) and out-year concepts.

The replacement of residence buildings within the Secured Treatment Area (STA) at Porterville Developmental Center (PDC) is an example of the latter, with potential first expenditures shown in 2026-27 based on planning and construction costs for similar projects.

Fiscal Year	Fiscal (millions)	Purpose
2026-27	$ 2.9	Preliminary Plans
2027-28	$ 5.0	Working Drawings
2028-29	$ 149.4	Construction
Total	$ 157.3	

PDC is the only state-operated facility that serves individuals involved in the criminal justice system that have intellectual and/or developmental disabilities and are determined to be Incompetent to Stand Trial (IST) pursuant to Penal Code section 1370.1. These individuals may have extensive criminal records, long histories of prior incarceration or treatment in psychiatric facilities, and prior serious offenses. PDC currently serves a population of about 200 individuals. Approximately half of individuals served have been determined IST and half are civilly committed by court order. IST admissions are short-term, with turnover in population as individuals are admitted and discharged throughout the year.

The STA is comprised of six newer residential facilities (96 beds), which were completed in 2009 and specifically designed to provide safe and secure settings for the STA population and facilities that are nearly 70 years old. The older PDC residences require updates to mitigate health, safety, and security risks to residents and staff and to provide for clinical treatment and programmatic needs. The purpose of this project would be to address challenges associated with the current aging infrastructure.

The listed project would not change the population capacity at Porterville Developmental Center.

Further, a COBCP would need to be submitted to, and ultimately approved by, the Legislature before design or construction could begin on this project.

Panel

Request for the Panel:

◊ Please explain the inclusion of Porterville in the Governor's Infrastructure Plan.

- Carla Castaneda, Chief Deputy Director, Operations, Department of Developmental Services
- Randall Katz, Principal Program Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

Staff Recommendation: As there is no current dollar proposal related to this issue, this issue is included for informational purposes and no action is necessary.