

California State Assembly



Informational Hearing Agenda

Assembly Budget Subcommittee No. 2 on Human Services

Assemblymember Dr. Corey Jackson, Chair

Wednesday, March 26, 2025

1:30 P.M. – State Capitol, Room 444

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4100 State Council on Developmental Disabilities
4300 Department of Developmental Services
5160 Department of Rehabilitation

Issue 1: Master Plan for Developmental Services Update and Key Recommendations

- Victor Duron, Chief Deputy Director, Department of Rehabilitation, speaking on behalf of the California Health and Human Services Agency
- Pete Cervinka, Director, Department of Developmental Services
- Oscar Mercado, Self-Advocate and Member, Integrated Community Collaborative
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Vivian Haun, Senior Policy Attorney – I/DD Practice Group, Legal Advocacy Unit, Disability Rights California
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 2: Employment First Office and Competitive Integrated Employment

- Debra Cooper, Assistant Secretary, California Health and Human Services Agency
- Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
- Victor Duron, Chief Deputy Director, Department of Rehabilitation
- Aaron Carruthers, Executive Director, State Council on Developmental Disabilities
- Carole Watilo, Executive Director, Progressive Employment Concepts (in Sacramento)
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 3: Respite Services Utilization Trends and Issues

- Michi A. Gates, Ph.D., Chief Deputy Director of Program Services, Department of Developmental Services
- Mark Klaus, Executive Director, San Diego Regional Center
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Issue 4: Aging Individuals in the Developmental Services System

- Pete Cervinka, Director, Department of Developmental Services
- Sherry Novick, Parent and Board Member, Disability Voices United

- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Issue 5: Rate Reform Implementation and Quality Incentive Payments Updates and Issues

- Pete Cervinka, Director, Department of Developmental Services
- Barry Jardini, Executive Director, California Disability Services Association representing the Lanterman Coalition
- Teresa Anderson, Executive Director, California Policy Center for Intellectual and Developmental Disabilities
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Issue 6: Life Outcomes Improvement System (LOIS) Automation Funding, Issues, and Timeline for Completion

- Pete Cervinka, Director, Department of Developmental Services
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Issue 7: Federal Threats for Developmental Services and Rehabilitation Communities Served and State/Local Program Operations

- Pete Cervinka, Director, Department of Developmental Services
- Kim Rutledge, Director, Department of Rehabilitation
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Issue 8: Disaster Response and Impact of Los Angeles Fires for Developmental Services and Rehabilitation Communities Served and State/Local Program Operations

- Pete Cervinka, Director, Department of Developmental Services
- Kim Rutledge, Director, Department of Rehabilitation
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Public Comment will be taken (in person only) after the completion of all panels and discussion, and this Public Comment will be for all issues covered in the hearing, including issues in the Non-Presentation part of the agenda (under Issue 9).

Thank you.

Items To Be Heard

0530 California Health and Human Services Agency
4100 State Council on Developmental Disabilities
4300 Department of Developmental Services
5160 Department of Rehabilitation

Issue 1: Master Plan for Developmental Services Update and Key Recommendations

Issues for Subcommittee Consideration. This issue provides an overview of the Department of Developmental Services (DDS), its program services, and its budget. Then the issue focuses on the Master Plan for Developmental Services (or Master Plan), which is pending and results from a process led by the California Health and Human Services Agency (CalHHS) that started last year, in 2024. The final Master Plan is expected to be released a few days after this hearing, but was due, pursuant to statute adopted in last year's budget trailer bill, by March 15, 2025.

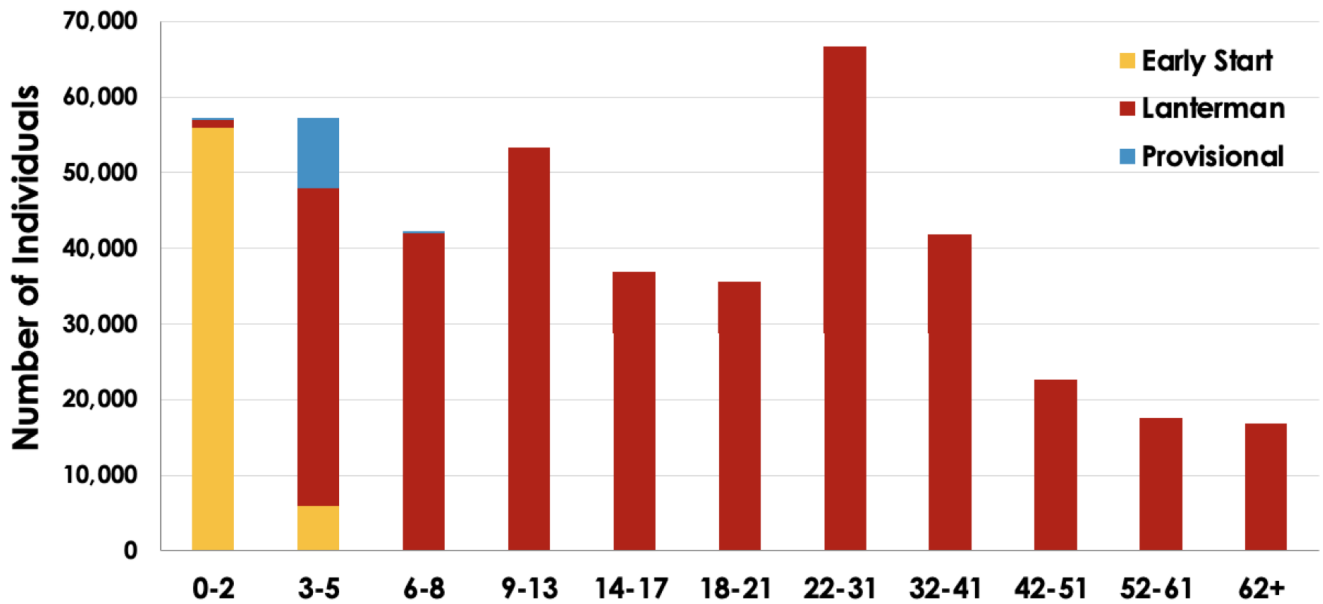
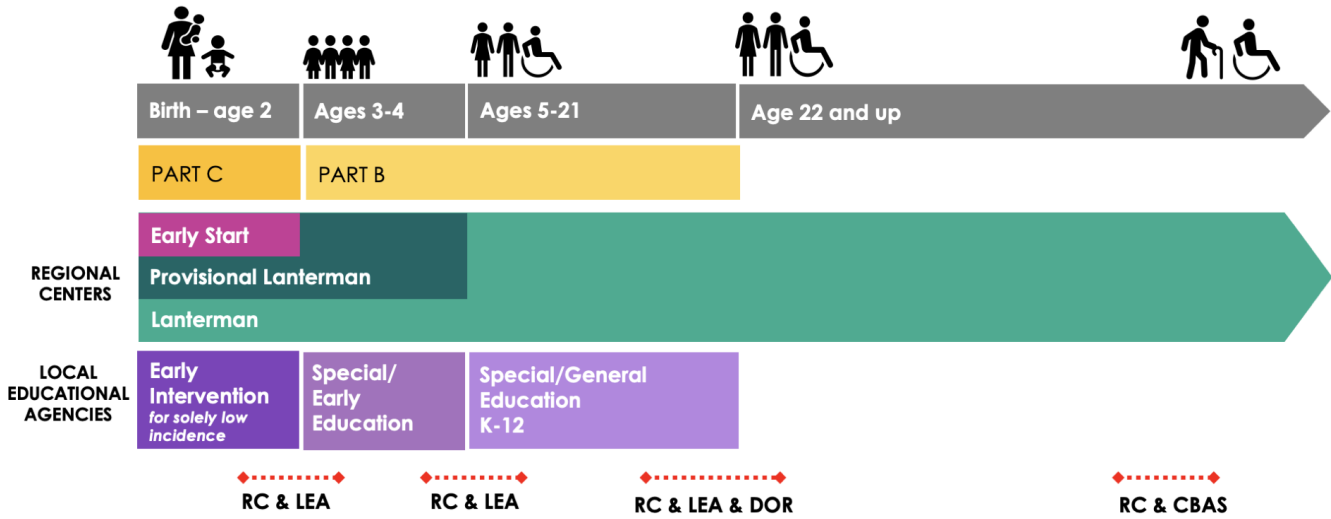
The following is largely from a recent analysis provided by the Legislative Analyst's Office (LAO), available [here](#).

Background on Developmental Services. 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 a traumatic brain injury. To qualify, an individual must have a disability that began before the age of 18 and is substantial and expected to continue indefinitely. There are no income-related eligibility criteria. As of December 2024, DDS serves about 380,000 Lanterman-eligible individuals and another 10,000 children ages zero through four who are provisionally eligible.

DDS also provides services through its Early Intervention Services Act (or Early Start) program to any infant or toddler under the age of three with a qualifying developmental delay or who are at risk of a developmental disability. There are no income-related eligibility criteria. As of December 2024, DDS serves about 60,000 infants and toddlers in the Early Start program.

DDS contracts with 21 nonprofit Regional Centers (RCs) across the state, 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 home- and community-based settings, rather than in institutions.

The number of individuals served by regional centers in the community is expected to be 465,165 in the current year and increase to 504,905 in 2025-26, or an increase of about 40,000 individuals compared to 2024-25. This caseload projection reflects growth in the Early Start population due to community outreach efforts. The following two charts show the program or provider of services typically for a person served at ages across the lifespan.



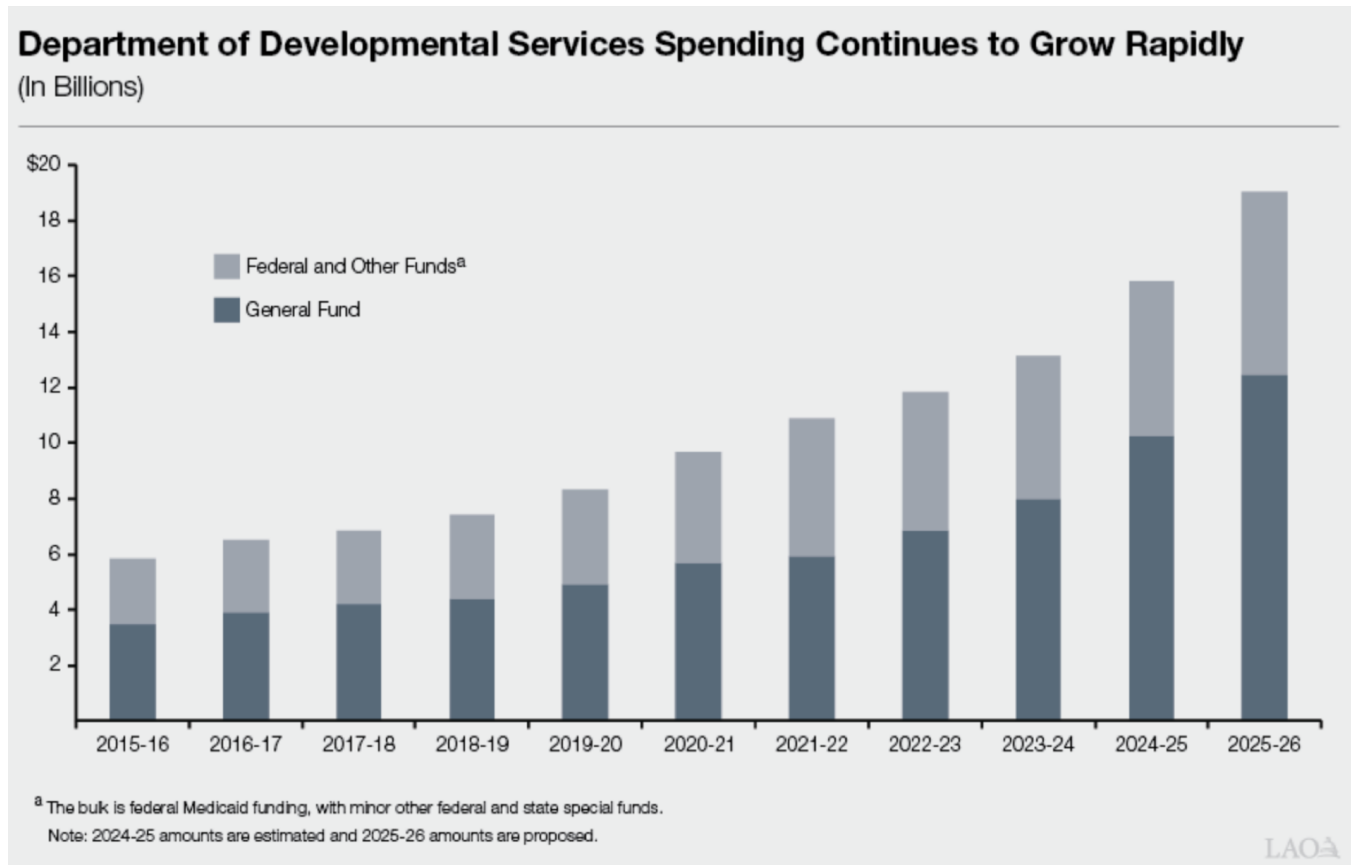
In addition, the Governor’s Budget supports capacity for individuals that can be served through state-operated facilities. This includes capacity for 211 individuals in the secure treatment facility at Porterville Developmental Center, which serves individuals with developmental disabilities under court order. These individuals may be placed at Porterville in two main circumstances: (1) when they have been accused of a crime and deemed incompetent to stand trial and therefore need to receive training and education to regain competency, which Porterville DC

provides, or (2) when they have been deemed a safety risk to themselves or others. There is also system capacity for 56 individuals at Canyon Springs and for 35 at STAR homes.

The map below was provided by DDS and indicates the regional areas served by the 21 RCs.



The Developmental Services Budget. The Governor’s budget proposal includes \$19 billion total funds in 2025-26, up \$3.2 billion (20 percent) over the revised 2024-25 level (\$15.8 billion) to support DDS. Of the proposed 2025-26 total, \$12.4 billion is from the General Fund, up \$2.2 billion (21 percent) over the revised 2024-25 level (\$10.2 billion General Fund). Significant year-over-year growth in DDS spending is a feature of DDS budgets over the past 10 years, as shown in the figure from the LAO below.



A portion of the year-over-year increase—about \$500 million (\$307 million General Fund)—reflects the annualization of the first fiscal year of fully funded rate models under rate reform (in 2024-25, the fully funded rate models were in effect for half a fiscal year). The majority of the increase largely reflects growth in caseload and increases in the utilization of services; available data do not provide sufficient information to differentiate the cost impacts of these factors independently.

Relative to other recent budgets, the Governor’s budget contains very few proposals. The Governor’s budget proposes \$8.3 million in ongoing General Fund to implement the Disability Equity, Transparency, and Accountability Act (Chapter 902 of 2024 [AB 1147, Addis]). This proposal, provided in a Budget Change Proposal (BCP), is also covered under Issue 9 of this agenda. The proposal does not include any spending solutions beyond those adopted in 2024.

Master Plan for Developmental Services. The Governor’s 2024-25 budget proposed that DDS develop a Master Plan for Developmental Services with the intent to improve the experience of individuals and families receiving developmental services. Subsequently, the Secretary of California Health and Human Services (CalHHS) appointed members to the Master Plan for Developmental Services Committee (a committee created by CalHHS to develop the Master Plan). These members were assigned to one of five workgroups; each workgroup developed recommendations pursuant to a specific goal for the developmental services system.

Workgroup Focus Areas for Recommendations

Group 1: Person-centered service systems that we trust.

Group 2: Timely, inclusive, and seamless services across all service systems.

Group 3: Receiving service from a high-quality, stable and person-centered workforce.

Group 4: Consistent, transparent, accountable and data-driven services focused on outcomes.

Group 5: Life-long services with adequate resources.

The administration recently released the draft report, available [here](#) and indicates that the full, final report will be available on March 28, 2025.

Budget-related legislation codified the Legislature’s findings and declarations establishing the foundation for the Master Plan (Chapter 47 of 2024 [AB 162, Committee on Budget]). Importantly, Chapter 47 acknowledges that consumers and their families rely on services provided through multiple state and local entities, including the State Department of Health Care Services (DHCS), the California Department of Aging, the California Department of Social Services, the Department of Rehabilitation (DOR), and the State Department of Education. Because individuals receive services from these various entities, Chapter 47 states that CalHHS should work across state agencies and departments to identify policies, efficiencies, and strategies necessary to implement the Master Plan. Additionally, Chapter 47 states the Legislature’s intent that the Master Plan should serve all consumers and their families regardless of their language spoken, demographic group, geographic region, or socioeconomic status. Finally, the legislation establishes that any funding needed to support program enhancements proposed in the Master Plan is subject to an appropriation by the Legislature.

The draft report indicates that DDS will convene a biannual meeting focused on Master Plan implementation, which will center the voices of individuals and families, including those that contributed to the Master Plan. In these meetings, DDS will provide updates on implementation underway or planned and focus on these meetings as a dedicated forum for ongoing community

input. Based on these efforts, DDS will submit an annual report on progress on the Master Plan to the Legislature in March of each year from 2026 through 2036.

Panel

Questions for the Panel:

- ◇ Please provide a review of the key recommendations in the Master Plan for Developmental Services? How was the community included in the process and how will the community remain included as the Master Plan is implemented?
 - ◇ Does the Administration have a Roadmap for the next steps over the next few years of how the Master Plan will become operationalized? What are the costs of near-term priorities in the Master Plan?
 - ◇ Which recommendations are most critical to implement in the short-term (1-2 years)? What are issues and areas that need attention most urgently?
 - ◇ How will the Administration make decisions about which recommendations to prioritize and who will be involved in that decision-making process?
 - ◇ What are the parts of the draft Master Plan that are strongest, and what parts are most weak?
 - ◇ How will the Master Plan improve equity in a measurable way?
 - ◇ What can be improved in the process going forward to maximize the platform of the Master Plan?
- Victor Duron, Chief Deputy Director, Department of Rehabilitation, speaking on behalf of the California Health and Human Services Agency
 - Pete Cervinka, Director, Department of Developmental Services
 - Oscar Mercado, Self-Advocate and Member, Integrated Community Collaborative
 - Amy Westling, Executive Director, Association of Regional Center Agencies
 - Vivian Haun, Senior Policy Attorney – I/DD Practice Group, Legal Advocacy Unit, Disability Rights California
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO is raising the following issues for Legislative consideration regarding the Master Plan for Developmental Services.

Has the Master Plan Development Process Reflected Legislative Intent? The LAO recommends that the Legislature ask the administration to provide detailed information on the extent to which the development of the Master Plan has aligned with legislative intent as set out in the provisions of Chapter 47. The Master Plan process as envisioned by Chapter 47 is a multi-departmental, multi-agency effort, with CalHHS serving in a key coordinating and leadership role.

Questions to ask the administration could include:

- How did CalHHS exercise its oversight authority to lead the Master Plan development process?
- What specific steps has CalHHS taken to fulfill its cross-departmental, cross-agency coordination role?
- Which state agencies and departments have been directly involved in the development of the Master Plan, and what have their unique contributions been?
- To what extent have Master Plan committee members been given the opportunity to receive technical assistance from multiple state departments when developing recommendations?
- How has CalHHS ensured that Master Plan committee members have access to input provided by a broad cross-section of consumers and their families, given the intent of Chapter 47 that all consumers and their families be served equitably?

What Is the Administration's Vision for the Master Plan Going Forward? Given that the Master Plan development process set out in Chapter 47 prioritizes community involvement and public feedback, the final product submitted to the Legislature and Governor in March will not be (and was not intended to be) a plan of action from the administration. The administration has stated that the final product will be solely comprised of recommendations generated by the community. While these recommendations form a key starting point, the Master Plan cannot be put into action without initiative from the administration. A critical missing piece, therefore, is a roadmap for how to translate the community's recommendations into a workable set of policy and budget proposals for legislative consideration.

The administration has stated that it will consider the Master Plan's recommendations in future policy and fiscal planning. The details of this process, however, have not been shared publicly. For example, the administration has not yet provided details on how it plans to prioritize the Master Plan's recommendations when developing near-term versus long-term proposals. In order to understand the full scope of the Master Plan and its implications for the developmental services system, the Legislature will want to request this information from the administration.

For budget planning purposes and in light of projected budget deficits through 2028-29, the Legislature will need to understand the potential policy and fiscal impacts of any proposals resulting from Master Plan. To this end, the Legislature could ask the administration how it plans to prioritize the Master Plan's recommendations when developing future budget and policy proposals, as well as the administration's plans for the timing for these proposals (for example, will any proposals be submitted at May Revision in 2025?).

Questions to ask the administration could include:

- How does the administration plan to weigh recommendations from the Master Plan that might require new spending in comparison to DDS's existing spending commitments?
- How will the administration differentiate recommendations that could be implemented in the near term compared to recommendations that will take longer to implement?
- How will the administration reconcile the community's recommendations with its own priorities?

Legislature Could Delineate a Process on How to Move Forward. At the time this analysis was prepared, the administration has not clearly articulated a roadmap to implement the community’s recommendations that will be presented in the Master Plan. This presents an opportunity for the Legislature to help establish next steps after the Master Plan is published. This will give the Legislature a chance to provide direction before the administration potentially submits future budget proposals resulting from the Master Plan. To this end, the LAO recommends that the Legislature consider introducing trailer bill legislation, similar to that introduced in Chapter 47, to ensure that the Master Plan implementation process reflects legislative priorities. This legislation could include requirements for additional analysis and reporting to the Legislature on topics such as the feasibility or the costs and benefits of the Master Plan’s recommendations.

Staff Comments

The Chair and Subcommittee Members may consider trailer bill language that does what the LAO is suggesting, to require additional analysis and reporting to the Legislature on topics such as the feasibility or the costs and benefits of the Master Plan’s recommendations. The Chair and Subcommittee Members could also request a more detailed “Roadmap to Implement the Master Plan” by a date certain.

Staff Recommendation: The Chair can ask the LAO to prepare a draft of trailer bill language (that would first come to the Subcommittee staff) that does as it is suggesting, requiring the Administration to provide additional analysis and reporting, as well as costs and benefits, for near-term priorities in the Master Plan.

Hold open.

Issue 2: Employment First Office and Competitive Integrated Employment

The following is largely from a recent analysis provided by the Legislative Analyst's Office (LAO), available [here](#).

Issues for Subcommittee Consideration. This issue provides background on major employment programs for people with intellectual and developmental disabilities (I/DD) and on the administrative defunding in 2024-25 of a \$1 million investment that was appropriated in the 2023 Budget Act and that continued in the 2024 Budget Act for an Employment First Office (E1O) housed in the California Health and Human Services Agency, which was intended to coordinate across multiple agencies that provide these employment services to people with I/DD. The removal of this funding effectively eliminates the E1O. More on the E1O is included in this section.

Background. California Adopted an "Employment First" Policy for DDS Consumers in 2013. Chapter 667 of 2013 (AB 1041, Chesbro) created California's employment first policy, which makes competitive, integrated employment (CIE) the highest priority for working age individuals with intellectual and developmental disabilities, regardless of the severity of their disability. CIE refers to employment at a workplace mostly employing individuals without disabilities and for prevailing market wages.

This was followed by federal action in 2014 when Congress passed the Workforce Innovation and Opportunity Act, which promotes CIE and increased training and supports for individuals with disabilities.

Related DDS Programs. The Department of Developmental Services (DDS) provides a variety of services to help consumers find and maintain employment if they desire to work. Supported employment services provide job coaching to consumers (in both group and individual placements) who typically are working in a community setting (for example, a hotel or a grocery store). Paid internships allow DDS to pay the wages of and provide job coaches to consumers (either individually or in groups) placed short-term in a community employment setting. Tailored day services help consumers develop skills for employment through customized training. Work activity programs are sometimes held in "sheltered workshops," which are work areas specifically employing only individuals with intellectual and developmental disabilities. In other cases, work activity programs may take consumers out to community workplaces to work together as a group.

Phaseout of Subminimum Wage Program. The Fair Labor Standards Act, which establishes the federal minimum wage, creates a process (known as the 14(c) certification process) for certifying some employers to pay employees with intellectual and developmental disabilities less than the minimum wage. Most subminimum wage employers in California were nonprofit organizations that also offered a broad suite of other services, including other employment supports and day programs (which provide education, community engagement, and entertainment during the day for consumers who are not regularly employed). Many subminimum wage employers operated work activity programs.

Chapter 339 of 2021 (SB 639, Durazo) required the transition of employees working under subminimum wage into CIE by January 2025. The bill required the State Council on Developmental Disabilities (SCDD) to establish a multi-year plan for phasing out the use of 14(c) certificates in California. By the end of the multiyear plan (once 14(c) certificates are phased out), any DDS consumers who are employed must be paid at least minimum wage. When SB 639 was enacted, the number of individuals receiving subminimum wage was not clearly documented due to data limitations. As of January 2023, it was estimated that at least 4,000 people with disabilities (many of whom were DDS consumers) were employed in subminimum wage jobs in fiscal year 2021-22.

The SCDD's multiyear plan was published in January 2023. Among other recommendations, SCDD's plan called for the state to increase state funding for job developers (those who identify and help develop employment opportunities for individuals with intellectual and developmental disabilities) and job coaches, fund counseling to help consumers understand how employment will or will not affect the benefits they receive and provide more transportation options for individuals seeking employment at competitive wages.

DDS has been systematically tracking the number of remaining consumers employed in subminimum wage settings since July 2023. The department estimated that there were about 2,900 consumers employed and earning less than minimum wage. The department has worked with RCs to track these individuals and help them transition out of subminimum wage. As of December 2024, the department reports that there are no longer any consumers earning less than minimum wage and provides the following breakdown of outcomes:

- 35 percent to minimum wage employment.
- 40 percent to day programs or similar programs.
- 13 percent have not started new services (including individuals who have retired or moved).
- 10 percent have transitioned to a new service, but details on the new service have not been provided.
- 2 percent includes individuals who have inactive cases (i.e. passed away or moved out of area).

Additional data is available on the [DDS website](#).

Of the consumers previously employed in subminimum wage jobs, about 270 individuals have not yet engaged in another RC-supported service in place of employment. Remaining consumers are engaged in a variety of other activities (with some individuals participating in multiple activities). Many are working and earning at least minimum wage, with about 75 individuals now engaged in CIE, about 700 employed in group settings, about 240 employed in work activity programs, and about 70 participating in paid internships. For these individuals who are employed, the department is not able to provide details on the average number of hours worked. Many other consumers previously employed in subminimum wage jobs are not currently working. About 850 consumers are receiving a type of day program service. Another 600 are participating in a "Community Integration Training Program," which is a service that can be adapted for a variety of purposes. Another 150 consumers have retired, moved, or no longer

have a case with a RC. About 20 individuals are receiving training or support towards employment.

Coordinated Career Pathways. After SB 639 was enacted, the 2022-23 spending plan allocated \$8.4 million (\$5.1 million General Fund) one-time available over three years for DDS to establish a service model focused on individuals transitioning out of subminimum wage or recently graduating from high school. This funding resulted in a new service called Coordinated Career Pathways (CCP), which aims to help individuals achieve CIE after exiting subminimum wage employment or completing secondary education. CCP includes two new service options: a Career Pathway Navigator and a Customized Employment Specialist. The department states that these services are time-limited to 18 months but can be extended to a maximum of 24 months.

Department of Rehabilitation's Role. The Department of Rehabilitation (DOR) offers specialized programs such as Supported Employment grants, targeting individuals with intellectual and developmental disabilities (I/DD) and those historically placed in subminimum wage roles. In addition, DOR offered Career Counseling and Information Referral (CC&IR) services to individuals working in 14(c) settings from 2016 to the end of subminimum wage in California.

In addition to the 12 individuals referred to DOR by the Regional Centers, in 2023-24, 233 individuals who received CC&IR services chose to bypass Regional Center referrals and applied directly to DOR for vocational rehabilitation services. In that time, 81 individuals achieved competitive integrated employment. Since the inception of CC&IR services, 1,801 individuals enrolled in DOR services. To date, 792 individuals found competitive integrated employment, while others continued to receive tailored support to meet their employment goals.

For more information on the DOR budget, please see [information provided by the Department of Finance](#). For information about DOR programs, the Sub. 2 agenda from last year's hearing on February 28, 2024 is available [here](#).

Employment First Office. Responding to concerns from stakeholders about disjointed employment programs and to advocates in the community who asked for a way to facilitate co-ordination, co-planning, and co-implementation of competitive integrated employment opportunities for people with developmental disabilities, the Assembly championed an effort, consulting with the State Council on Developmental Disabilities, to create an Employment First Office. Funding of \$1 million General Fund was included in the 2023 Budget Act for this purpose and the following policy was codified in Assembly Bill 121 (Chapter 44, Statutes of 2023) to establish the office.

Welfare and Institutions Code Section 4868.5

- (a) There is in the California Health and Human Services Agency the Office of Employment First.
- (b) The office's mission is to coordinate the Employment First Policy, as described in Section 4869, in order to reduce redundancy, ensure coordination of all employment support services across all agencies and departments, avoid fragmentation of services, guide strategic planning, and promote racial equity toward employment for individuals with developmental disabilities.

- (c) The office shall have all of the following responsibilities:
- (1) Identify and disseminate best practices.
 - (2) Develop effective strategies for partnerships with entities, including, but not limited to, employers, foundations, advocates, and other entities committed to creating integrated community employment opportunities.
 - (3) Provide technical assistance, as requested, to develop and implement strategies for equity in employment.
 - (4) Make recommendations for legislative, regulatory, and policy changes consistent with the Employment First Policy, as described in Section 4869.
- (d) The office shall be under the control of an executive officer known as the Chief Employment First Officer who has the authority to do all of the following:
- (1) Establish or improve reporting mechanisms to measure the success of employment programs for individuals with developmental disabilities and drive quality improvement.
 - (2) Monitor progress on employment for individuals with developmental disabilities, including, but not limited to, preparing monitoring instruments and issuing reports.
 - (3) Link data collection systems across state government entities through the development of a unique identification system.
 - (4) Track, analyze, and publicize service code utilization and vocational outcomes across the system.
- (e) (1) The office shall form a standing Employment First Committee consisting of all of the following members:
- (A) At least one designee of each of the members of the State Council on Developmental Disabilities specified in subparagraphs (B), (C), (D), (F), and (H) of paragraph (2) of subdivision (b) of Section 4521.
 - (B) A member of the consumer advisory committee of the state council.
- (2) The responsibilities of the committee shall include, but need not be limited to, identifying ways services can be coordinated by state and local agencies to avoid disconnection of services and to improve accessibility of services.
- (f) On or before June 30, 2025, and annually thereafter, the office shall provide a report to the appropriate policy committees of the Legislature and to the Governor describing its work and recommendations made pursuant to this section.
- (g) This section shall become operative on July 1, 2024.

2024 Budget Agreement. In the 2024 budget cycle, the \$1 million for E1O was proposed for reduction by the Administration. The Legislature fought to maintain the funding and it was sustained fully at \$1 million in the 2024 budget agreement, which was a two-year deal.

Control Section Reductions. As discussed at length in the February 26, 2025 agenda, available [here](#), the Administration was authorized to make reductions, and as part of that exercise, the Administration unilaterally removed the \$1 million General Fund for E1O in the California Health and Human Services Agency's budget.

Panel

Questions for the Panel:

- ◇ Why was the Employment First Office defunded in spite of the budget agreement and the statutory requirement, and why was the Legislature not formally notified of the reduction when it occurred?
 - ◇ How will the state meet the requirements in the Welfare and Institutions Code, including the June 30, 2025 report?
 - ◇ How will the state coordinate these services across departments and what are the potential risks and consequences?
 - ◇ What have been the outcomes of the ending of subminimum wage employment for individuals with intellectual and developmental disabilities?
 - ◇ What are the areas for opportunity and advancement in creating competitive integrated employment for more people served in the developmental services system?
- Debra Cooper, Assistant Secretary, California Health and Human Services Agency
 - Ernie Cruz, Deputy Director, Community Services Division, Department of Developmental Services
 - Victor Duron, Chief Deputy Director, Department of Rehabilitation
 - Aaron Carruthers, Executive Director, State Council on Developmental Disabilities
 - Carole Watilo, Executive Director, Progressive Employment Concepts (in Sacramento)
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO is raising the following issues for Legislative consideration regarding this issue.

While the administration has not proposed any changes to its employment programs in the budget year, the LAO provides the following topics for legislative consideration given the recent phaseout of subminimum wage. It is important to acknowledge that, as SCDD notes in its January 2023 transition plan, centralized statewide leadership is needed for CIE to succeed, and meaningful change is not the responsibility of one agency alone. The following discussion is limited to issues that fall within DDS's scope of responsibility.

Has the Implementation of SB 639 Reflected Legislative Intent? Given that the deadline established in SB 639 only recently passed, it would be unrealistic to expect that every consumer previously earning subminimum wage would already be fully transitioned to CIE. Nonetheless, it is important to acknowledge that placing DDS consumers who desire to work in CIE remains the ultimate goal of SB 639. The LAO recommends that the Legislature ask DDS to provide regular updates on the status of individuals who recently transitioned out of subminimum wage employment and whether they have been placed in CIE. A particular focus is warranted on the 270 consumers who have not found alternative RC-supported activities as of January 2025. DDS, SCDD, and DOR have stated that they remain committed to finding services for these

individuals. In addition to administrative efforts, the Legislature could use its oversight authority to track whether these individuals have found alternative activities.

Is the New CCP Service Capable of Effectively Serving Consumers Statewide? While the new CCP service has potential, it is still too early to assess its effectiveness in helping individuals obtain CIE. DDS stated that, as of January 2025, about 25 providers have been approved to provide CCP. A small number of consumers have recently started to receive the service. The department said that it has needed time to set up this new service, and that it intends to survey RCs on the service in the spring of 2025.

DDS noted that, in order to offer this service, providers must have skilled staff capable of offering customized employment approaches beyond traditional job coaching. In light of this required level of skill, some RCs and providers have expressed interest in receiving technical assistance to better understand and implement CCP. The Legislature could ask DDS whether it would be able to offer this type of technical assistance to interested RCs and providers so that they can take full advantage of the new service's potential. Expanding the availability of this service could potentially help consumers transition from day programs to employment, which in turn would further progress towards the intent of SB 639.

Staff Comments

The Chair and Subcommittee Members may consider asking DDS, as the LAO suggests, to provide regular updates on the status of individuals who recently transitioned out of subminimum wage employment and whether they have been placed in CIE. The Subcommittee could use its oversight authority to track whether these individuals have found alternative activities. Additionally, the Subcommittee could inquire about additional technical assistance for interested Regional Centers who want to offer Coordinated Career Pathways to more individuals with developmental disabilities seeking employment.

Staff Recommendation: Regarding the Employment First Office, the Chair can ask for details on how the Office will be implemented per the statutory requirements. The Chair can ask for updates on the individuals previously in subminimum wage positions transitioning on a quarterly basis from the department, starting at a date certain (e.g. July 1, 2025). The Chair may also wish to request information on how technical assistance to RCs for the Coordinated Career Pathways is occurring.

Hold open.

Issue 3: Respite Services Utilization Trends and Issues

Issues for Subcommittee Consideration. This issue provides background on respite services in the developmental services system. Respite is considered a vital service for families with individuals served in the home by relative caregivers. The following information was primarily provided by the Department of Developmental Services (DDS).

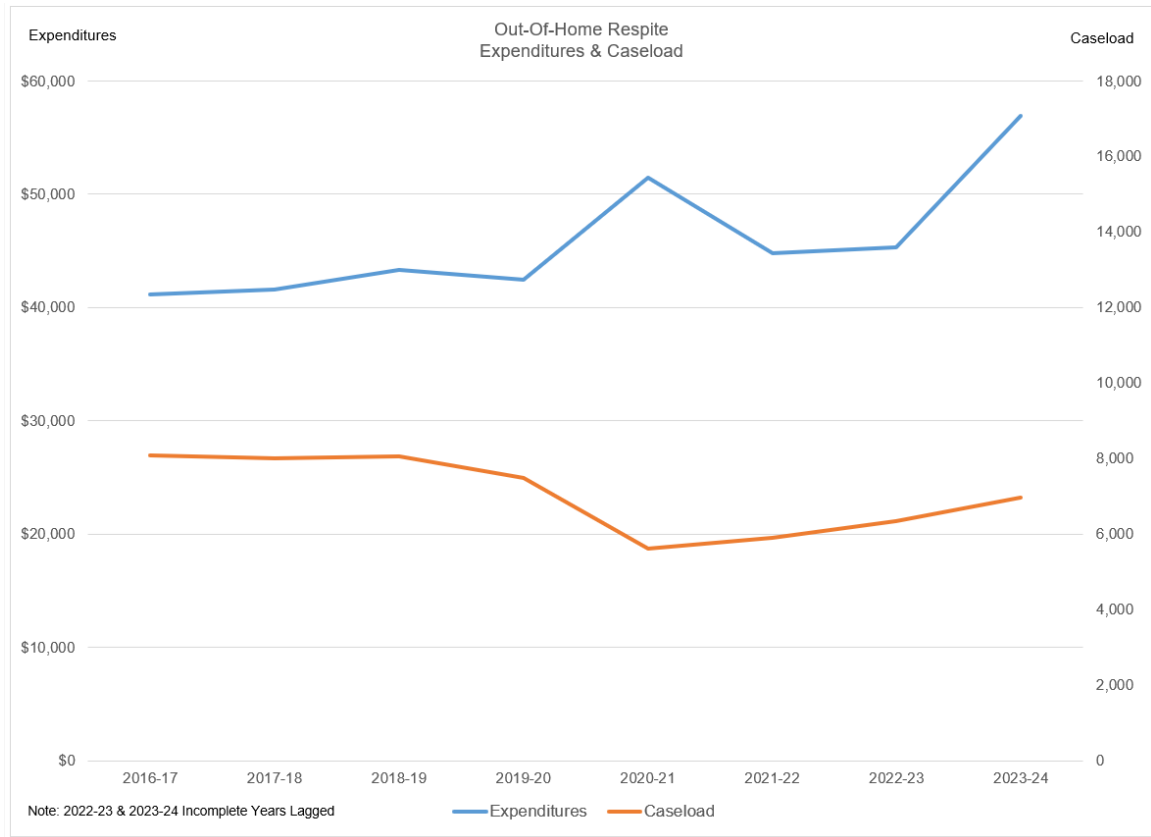
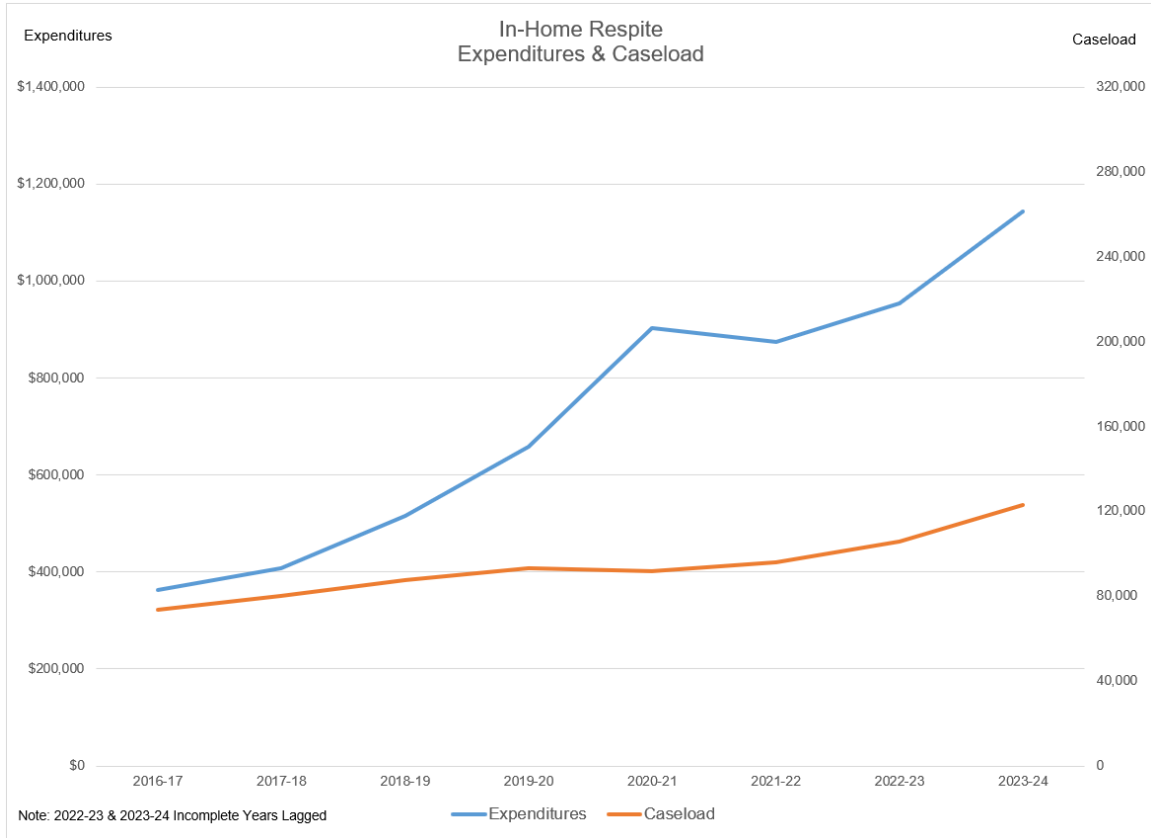
Background. Respite services are considered when an individual's needs are beyond the support of family, friends, and community resources. Regional centers use a variety of assessment tools to evaluate an individual's support needs. Responses are scored and an appropriate amount of respite hours is determined. In-Home Respite Services provide intermittent or regularly scheduled temporary non-medical care and/or supervision in the person's home. In-Home Respite Services typically include:

- Assisting the family members to enable a person with developmental disabilities to stay at home;
- Providing appropriate care and supervision to protect that person's safety in the absence of a family member(s);
- Relieving family members from the constantly demanding responsibility of providing care; and
- Attending to basic self-help needs and other activities that would ordinarily be performed by the family member.

Reassessment of respite needs are conducted whenever significant changes occur in the individual's skills or functioning level, family dynamics, or when alternative respite resources are identified. Chapter 192, Statutes of 2023 (SB 138) requires the Department to develop a respite assessment tool. This work is in progress to be implemented by January 2026 at all regional centers.

Out-of-Home Respite Services are provided in licensed residential facilities. Participant Directed Respite Services provide a family the flexibility to choose their own worker, and the worker is paid through a Financial Management Service. Key issues and trends were identified by the [State Auditor Report](#) on this subject.

The two charts on the next page provide more information on in-home and out-of-home respite expenditures and caseload.



Panel

Questions for the Panel:

- ◇ What are the trends in respite service utilization?
- ◇ Are there access issues to respite services for families in need?
- ◇ What are some ideas to improve access to these services?

- Michi A. Gates, Ph.D., Chief Deputy Director of Program Services, Department of Developmental Services
- Mark Klaus, Executive Director, San Diego Regional Center
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

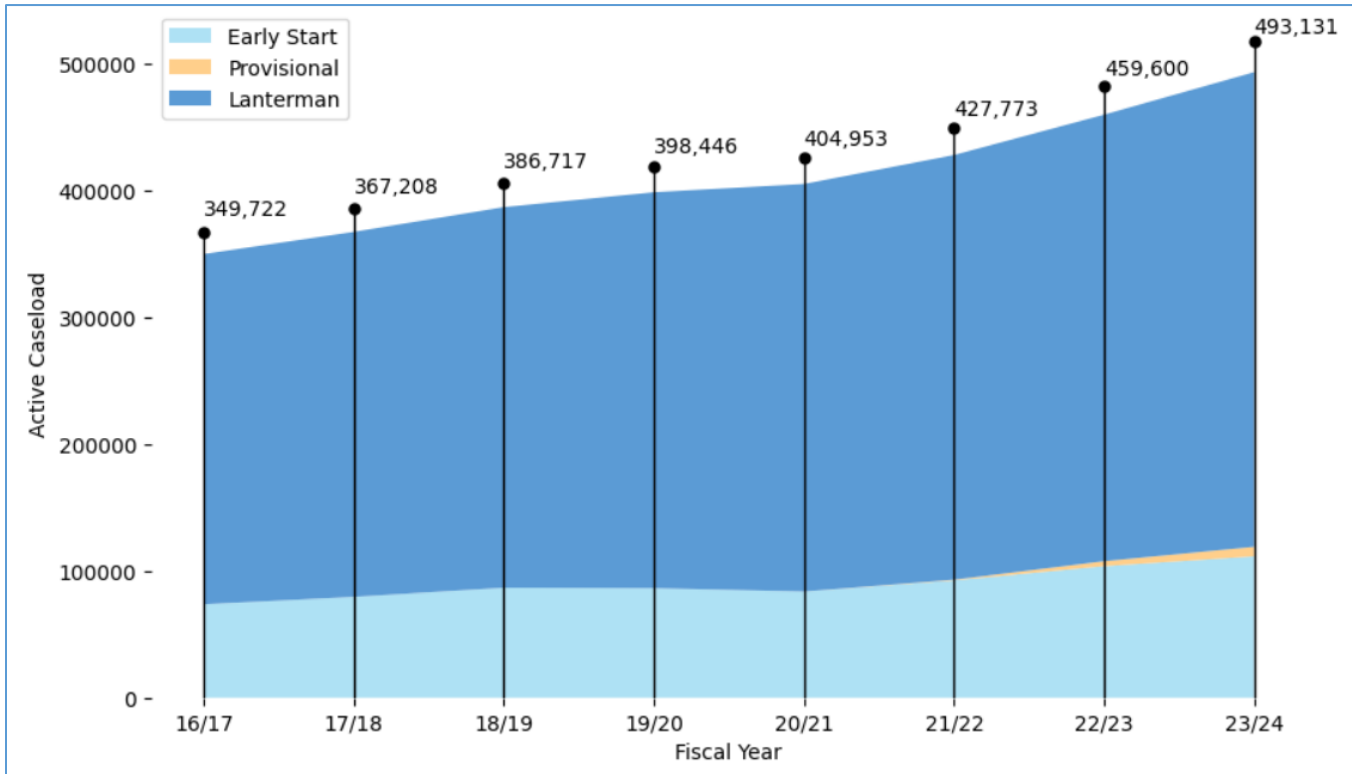
The Chair has asked for this issue of respite services to be reviewed and discussed by the Subcommittee.

Staff Recommendation: Hold open.

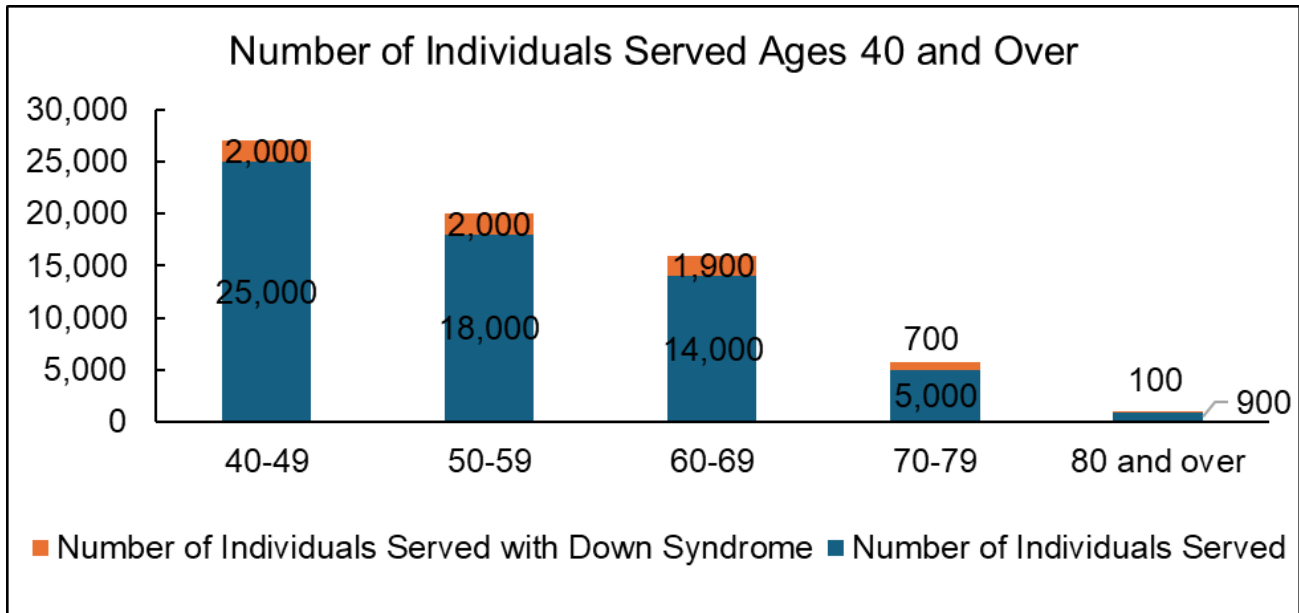
Issue 4: Aging Individuals in the Developmental Services System

Issues for Subcommittee Consideration. This issue provides background on aging individuals in the developmental services system. The demographics show that individuals are living longer lives in the system. To the extent these individuals are being cared for by aging parents, this raises issues around the capacity of the system to care for their needs throughout their lifespan. The following information was primarily provided by the Department of Developmental Services (DDS).

Aging Population with Intellectual and Developmental Disabilities (I/DD). The population of individuals served has been increasing each year. The following figure represents a 10+ year overview of the increasing trajectory of the regional center population (all ages) from 2016-17 to 2023-24. As the overall regional center population has increased, so has the number of individuals supported who are over 40 years of age. The figure on the following page shows the population 40 years and older.



Data source: Comprehensive dataset. Program status reflects first status in each year.



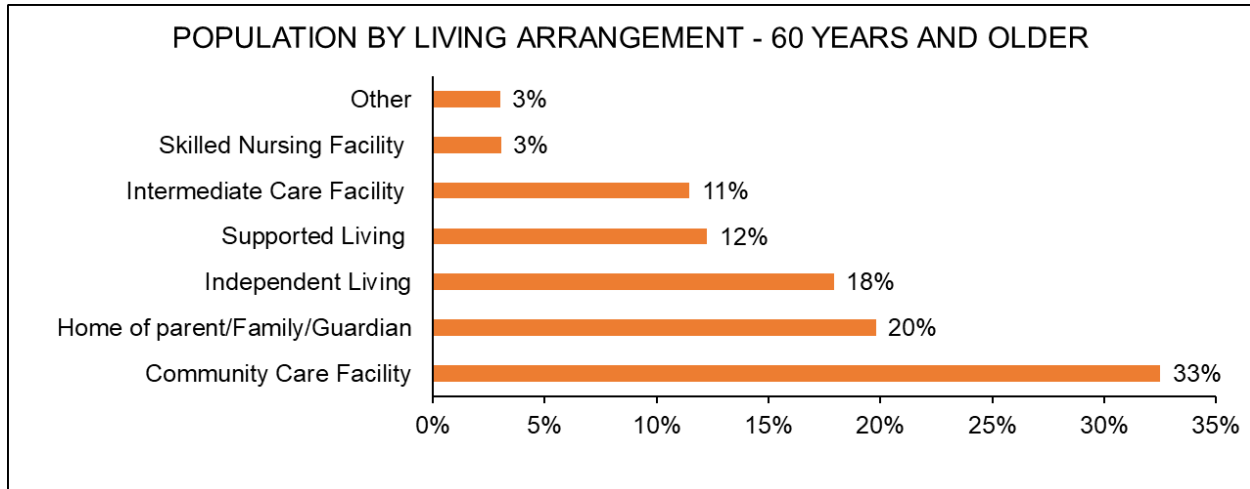
Source: Client Master File and Client Development Evaluation Report - August 2024. Data in this graph was rounded to the nearest hundred or thousand (e.g., 2300 rounded to 2000).

The average life expectancy continues to increase, and as of 2024, individuals with I/DD have an average life expectancy ranging from the mid-50s to the early 70s compared to the approximate 77 years for the general population. Individuals with Down Syndrome have lower average life expectancy than other diagnoses; however, that has significantly increased from an average of 25 years old in 1983 to over 60 years old today.

As the life expectancy increases, individuals need supports to address major Neurocognitive Disorders such as Alzheimer’s Disease, Multi-infarct/Cerebral Vascular Dementia, Dementia of Lewy Bodies, and Frontotemporal Dementia. Per the Alzheimer’s Association, “the estimated prevalence of Alzheimer’s dementia among Americans is 1 in 9 (10.9 percent) age 65 and older,” and the National Institute on Aging estimates 50 percent or more individuals with Down Syndrome will develop dementia due to Alzheimer’s disease as they age, and at an earlier age than the general population.

Another health-related area of concern for the aging regional center population is oral health. Per BMC (also known as BioMed Central) Public Health, an open access, peer-reviewed journal, individuals with I/DD have poorer oral health than those without I/DD. This results in a higher prevalence of periodontal disease and untreated dental caries compared with people without I/DD.

The next figure illustrates where individuals 60 years and older are living, illustrating that almost one fourth of individuals are living in the home of a parent, family member or guardian. For individuals 40 years and older over one third are living in the home of a parent, family member, or guardian who is also aging and may need additional supports. Within this age range of individuals 40 years old and older, the average age of individuals who are living at home with a parent, family member, or guardian is 50 years old.



Source: Client Master File and Client Development Evaluation Report – August 2024.

The next figure below further narrows down the population by living arrangement and ethnicity, illustrating that individuals who identify as an ethnicity other than white are more likely to live in the home of a parent, family member, or guardian, whereas individuals who identify as white are more likely to live out of the home of the parent, family member, or guardian. As the older population of regional centers continues to increase, there is a need for increased community-based residential opportunities to address the needs of aging individuals and their aging caregivers.

Population by Living Arrangement and Ethnicity, Ages 60 and Older

	African American	Asian	Hispanic	Other	White
Home of Parent/Family/Guardian	25%	42%	37%	24%	12%
Independent Living	20%	13%	16%	24%	18%
Supported Living	13%	6%	8%	11%	14%
Intermediate Care Facility	7%	7%	9%	6%	13%
Community Care Facility	28%	27%	25%	26%	36%
Skilled Nursing Facility	4%	2%	3%	3%	3%
Other	3%	2%	2%	5%	3%

Source: Client Master File and Client Development Evaluation Report – August 2024

Response from DDS. There are 43,000 individuals supported by regional centers who are between the ages of 40 and 59 years old. Individuals with I/DD are living nearly as long as the general population. The Department expects to see an increased need for housing options and resources as the population outlives their caregivers, or caregivers are no longer able to provide the same or an increased level of support. There will also be an increased need for financial support as aging individuals experience age-related health conditions. Therefore, the

Department is placing an increased focus on the needs of aging individuals within the Safety Net Continuum.

To support this growing need, the Department is committed to improving data collection/access methods and ongoing collaboration between I/DD and Aging networks. Currently, the Department and the California Department of Aging (CDA) are co-leads under the national Bridging Aging and Disability Networks grant. The goal of the grant is to support the cooperation between disability and aging networks at the state level; and to better support individuals with I/DD and their caregivers as they plan for their future.

One way the Department is currently supporting adult individuals, and their families, is through Coordinated Family Supports (CFS). This service option provides assistance to adults who choose to live with their families, through the coordination of services and supports that are adaptive and flexible to meet the individuals' changing needs and preferences.

California is one of the four states leading implementation of the "National Strategy to Support Family Caregivers." This two-year project will focus on underserved communities, increasing awareness, enhancing navigation to services, and providing high-quality educational resources for caregivers across the state. CDA was awarded this grant and is partnering with the Department and the UC Davis Family Caregiving Institute.

An increased focus on the needs of aging individuals within the Safety Net Continuum will inform development of resources to support individuals. For example, the new statewide standardized Individual Program Plan template includes a service coordinator guide on proactive approaches in addressing aging clients and their caregivers. Additionally, workforce initiatives aim to recruit, train, and retain workers from diverse communities who support individuals with I/DD.

In fiscal year 2024-25, the Department is monitoring 10 projects in progress through the Community Placement Plan and Community Resource Development Plan that focus on priorities meeting individual and community needs of an aging I/DD population. The Department launched the [Aging Inclusion Resources](#) webpage on the Department's website. This page will serve as a hub for individuals served, their caregivers, and professionals to find relevant resources. This page will continue to grow through the work of the State Alliance Team (SAT)

Panel

Questions for the Panel:

- ◇ What are the real life experiences of aging adults in the developmental services system being cared by at home by aging parents?
- ◇ What happens when the needs of the individual served become too difficult for the caregiver to address on a daily basis?
- ◇ How is the system preparing for the population dynamic of individuals losing their parent caregivers?
- ◇ What is the role of conservatorships?
- ◇ Are regional centers prepared or not for the aging of the I/DD population?

- Pete Cervinka, Director, Department of Developmental Services
- Sherry Novick, Parent and Board Member, Disability Voices United
- Omar Sanchez, Finance Budget Analyst, Department of Finance
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

Staff Comments

The Chair has asked for this issue of aging individuals in the developmental services system to be reviewed and discussed by the Subcommittee.

Staff Recommendation: Hold open.

Issue 5: Rate Reform Implementation and Quality Incentive Payments Updates and Issues

The following is largely from a recent analysis provided by the Legislative Analyst's Office (LAO), available [here](#).

Issues for Subcommittee Consideration. This issue provides background on the rate reform effort. Nearly ten years after a rate study was initiated, and after gradual phased-in implementation, the last step of rate reform for DDS became effective as of January 1, 2025. The quality incentive program, discussed below, is still being developed, and there is an interim requirement for vendors to register with a provider directory that allows them to earn the 10 percent of their rate not paid up front. Stakeholders raise issues with the rate models, the quality incentive program, and the hold harmless policy, which will end July 1, 2026. Workforce needs for developmental services underscore the importance of rate adequacy to attract and retain providers to serve the needs of the I/DD community and enable realization of the promise of the Lanterman Act.

For additional context for this issue, please see this [recent report](#) released by the California Policy Center for Intellectual and Developmental Disabilities (represented on the panel), which discusses the severe shortage of Direct Support Professionals (DSPs). This shortage, driven by low wages, staff burnout, high turnover, and inadequate training, limits opportunities for employment, housing, social activities, and community access for individuals with IDD. The report explores the impact of this crisis on individuals and families served under the Lanterman Act by DDS and the Regional Center System in California. The findings are based on surveys, focus groups, interviews, and existing data, providing a comprehensive look at the challenges and potential solutions.

Background. For decades, the state paid DDS direct care staff (also referred to as direct service professionals) according to an outdated and overly complicated rate structure that had not kept up with rising costs over time. In an attempt to modernize and rationalize this structure, the state commissioned a study of service provider costs that was published in January 2020. The 2021-22 budget began a multiyear, phased-in implementation of a modernized rate model to pay direct service professionals. The 2022-23 budget accelerated the phase-in of this plan, with full implementation of the new rate model scheduled for July 1, 2024. The Governor's 2024-25 budget then proposed to delay the final stage of service provider rate reform implementation by one year (to July 1, 2025). The adopted 2024-25 budget modified this proposal, delaying the final stage of implementation by six months, rather than one year (to January 1, 2025). The final stage of implementation has been in effect since January 1, 2025.

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 support a sufficient supply of quality service providers by raising funding levels for providers via increased rates. Increased provider rates, by extension, were also intended to improve outcomes for consumers by improving the availability and quality of services and supports. These services and supports include residential

services, day programs, employment support, transportation, independent and supported living, and personal assistance.

Quality Incentive Payments. Beginning January 1, 2025, statute requires that provider rates consist of two components: (1) a base rate equal to 90 percent of the rate model, and (2) a quality incentive payment equal to 10 percent of the rate model. Providers must satisfy specified performance metrics in order to receive the 10 percent of the rate model reserved for quality incentive payments. Providers can earn the 10 percent portion of the rate model from January 1, 2025 through June 30, 2026 by enrolling in DDS's new Provider Directory. DDS is in the process of establishing the performance metric(s) that providers will have to satisfy after June 30, 2026 to earn the 10 percent portion of the rate.

Chapter 76 of 2021 (AB 136, Committee on Budget) establishes legislative intent that rate reform implementation should help the developmental services system move from a compliance-based system to an outcomes-based system. This change was intended to put greater focus on meeting individual goals and preferences based on person-centered planning. To achieve this shift, Chapter 76 specifies that service provider payments under rate reform should be linked to consumer outcomes. Specifically, statute provides that the fully-funded provider rate models will be implemented using two payment components: a base rate equaling 90 percent of the rate model and a quality incentive payment equaling up to 10 percent of the rate model, the latter of which is to be implemented through the quality incentive program. This structure is intended to improve service provider performance, the quality of services, and, ultimately, consumer outcomes. Prior to the implementation of the quality incentive payment as 10 percent of the total rate, the state began providing some smaller, one-time quality incentive payments on top of providers' baseline rates in 2022-23.

Chapter 76 additionally specifies that performance metrics should evolve from initially being more process-related, such as meeting deadlines, to eventually include outcome measures, such as whether individual consumers are able to achieve their goals. The goals of individual consumers can vary widely and span from short to long term. Such goals could include living in an apartment, getting and maintaining a job, and participating in music or art classes. The metrics and benchmarks for individual outcomes must be established with input from stakeholders through public meetings and 30-day public comment periods.

Provider Directory Update. As mentioned, for the period spanning from January 1, 2025 through June 30, 2026, providers can earn the quality incentive portion of rate models by enrolling in DDS's new Provider Directory. The Provider Directory is an online portal that will store and display information about service providers statewide. DDS required providers to complete a data collection survey by October 4, 2024 and then validate the submitted data in the Provider Directory in order to satisfy this performance metric. The department has been engaging in technical assistance with providers to clarify whether they have completed the necessary steps to enroll in the Provider Directory and receive the 10 percent of rates reserved for this metric.

As of March 4, 2025, the Provider Directory includes 13,787 vendorizations, which represent each service line offered by the 6,737 service provider organizations (parent company). The

Provider Directory activities resulted in one-time payment authorizations through the Quality Incentive Program totaling \$11.8 million for 3,752 provider organizations and 14,665 vendorizations.

There are still efforts underway to add active providers to the directory. As a result, the Department added 1,900 records in January, followed by 2,160 records in early February, and the Department is preparing to load another batch in March. The table below represents Provider Directory figures to date.

Vendor Numbers Loaded:	13,787
Total Service Provider Organizations:	6,737
Vendorizations Eligible QIP Rate:	14,665*
Number of Service Provider Organizations Received One-Time QIP Payments:	3,752**

*There are still active providers that need to be added to the directory

**As cleanup occurs, there will likely be more providers eligible for one-time payments

July 1, 2026 Requirements for Quality Incentive Payment. After June 30, 2026, enrollment in the Provider Directory will no longer suffice to qualify for the quality incentive portion of rate models. Chapter 76 requires that quality measures must evolve to include individual-level outcome measures by the conclusion of the 2025-26 fiscal year. DDS is still determining how to define these individual-level outcome measures for 2026-27. A starting point is the department’s Quality Incentive Program workgroup, which began meeting in 2021 to help select and define outcome measures for one-time incentive payments available from 2023 through 2026. The workgroup selected the following measures that providers can satisfy to earn one-time incentive payments through 2026:

- Health checks in specified residential facilities.
- DSP workforce survey participation.
- Competitive integrated employment placements.
- Employment Specialist training completion.
- Timely service delivery for early intervention services.

The department has stated that these one-time measures will help collect baseline data that will inform the ongoing, individual-level measures in place starting July 2026. The department also stated that it intends to build upon lessons learned from one-time incentive payment measures when selecting the ongoing measures to begin in 2026-27. Additionally, DDS plans to conduct focus groups in 2025 with RCs, providers, consumers, and other stakeholders to collect feedback on the outcomes important to consumers and families. The department also stated that it will collect feedback on ways it could update the one-time incentive measures.

Time-Limited Hold Harmless Policy. Implementation of rate reform has resulted in rate increases for most service providers; however, approximately 1,693 of the 12,981 (13 percent) of in scope rate study vendorizations have rates that exceed the rate model for their respective service. Per Welfare and Institutions Code Section 4519.10, providers’ rates that exceed the rate model amounts, as well as rates that exceed the base rate of 90 percent of the rate model, are "held harmless" (e.g. not reduced) to reflect the updated rate models until June 30, 2026.

Then rates are then to be adjusted to the respective rate model. The department states that an updated fiscal impact for hold harmless will be conducted post alignment of services to the updated service descriptions.

Related Governor’s Trailer Bill Proposal. DDS also proposes statutory changes that will allow the Department to implement aspects of Rate Reform pertaining to employment services in order to increase employment opportunities for people with I/DD. These changes include expanding available providers, allowing lower ratios to promote individualized supports, and authorizing the Department to post the rate of reimbursement on its website as a rate model rather than specify the rate in statute. The Governor’s proposed trailer bill language, including this piece, can be found [here](#).

Panel

Questions for the Panel:

- ◇ Can the Administration explain how it will work toward the individualized outcome-based quality incentive starting July 1, 2026? What are the steps to get there and how will you involve key stakeholders in the planning toward implementation proceeds?
 - ◇ What are the key issues and questions on the rates for stakeholders?
 - ◇ How will the Administration keep the Legislature informed about decisions on the quality incentive payments leading up to July 1, 2026? Where will these policies be vetted and available for the public to see?
 - ◇ For Ms. Anderson, what are the key findings regarding workforce from the Policy Center’s report and how does this relate to rate levels and the quality incentive discussion? How do the workforce issues relate to issues and concerns around equity?
- Pete Cervinka, Director, Department of Developmental Services
 - Barry Jardini, Executive Director, California Disability Services Association representing the Lanterman Coalition
 - Teresa Anderson, Executive Director, California Policy Center for Intellectual and Developmental Disabilities
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

LAO Comments

The LAO is raising the following issues for Legislative consideration regarding the rate implementation issues.

Provider Directory Could Shed Some Light on Access to Services... Previously, DDS lacked a centralized mechanism to store statewide provider information (including service location address, phone number, email address, and organization type). The state’s 21 RCs stored this information separately for their own unique service areas. The creation of the Provider Directory will therefore be a first step in providing a more comprehensive view of the state’s network of

providers. Once the information in the Provider Directory is linked to RC service areas, the department could identify potential gaps in service availability throughout the state.

...But Is Only the First Step Towards Measuring Quality. While the Provider Directory has the potential to provide useful information about availability of services by type and region, it alone will not shift the developmental services system from a compliance-based system to an outcomes-based system. DDS has acknowledged that enrollment in the Provider Directory is a process-oriented measure, rather than a measure of individual outcomes. The department has also stated that it intends to build out the Provider Directory's functions over time to include a portal in which consumers and their families can search for providers based on their location and preferences such as language.

Quality Can Be Challenging to Measure. While quality might be relatively simple to conceptualize, in practice it can be challenging to measure given the expansive nature of an individual's well-being and the many outcomes involved. In concept, greater access to services could translate to better outcomes for consumers. However, assessing outcomes can be challenging given the myriad ways that consumers could define their needs and goals across the range of services and supports that they receive. In response to the absence of existing quality measures in the developmental services system, the 2021-22 budget included \$10 million General Fund in one-time pilot funding for the Person-Centered Advocacy, Vision, and Education (PAVE) project. This pilot project aims to develop a system to measure the outcomes consumers experience and to evaluate the impact of DDS services on these outcomes. While the pilot shows promise in helping to measure individual outcomes, the development of the PAVE system will not necessarily align with the statutory deadline to utilize individual-level outcome measures for quality incentive payments by July 1, 2026.

What Service Gaps Are Identified by Assessing Provider Directory's Findings? An assessment of the findings from the Provider Directory could shed light on service gaps in the developmental services system statewide. Currently, there is no requirement for DDS to conduct such an assessment and report to the Legislature with its findings. The LAO thinks this would be valuable information for the Legislature to have in order to prioritize efforts that improve access to services. The LAO therefore recommends that the Legislature direct the department to complete this analysis.

How Does DDS Plan to Use Findings From an Assessment of the Provider Directory? DDS has stated that findings from the Provider Directory might inform its allocation of Community Placement Plan (CPP) and Community Resource Development Plan (CRDP) funding. The CPP and CRDP programs were originally created to support the closure of developmental centers by expanding the services and supports available to help individuals transition into the community. Each year, DDS determines the areas of highest need for community services and supports, then develops guidelines to determine how to allocate CPP and CRDP funding to RCs. RCs submit budget requests to DDS to provide supplemental CPP/CRDP funding on top of their baseline budgets. DDS assesses CPP and CRDP submissions from RCs based on their alignment with the department's guidelines, including each RC's need to develop new and innovative service models.

The LAO recommends that the Legislature ask DDS to share details on the way that findings from the Provider Directory could inform the criteria for CPP and CRDP project selection. The Legislature could also establish its priorities and work with the department on determining future CPP and CRDP criteria. This could help ensure that the Provider Directory supports the Legislature's goal of improving consumer outcomes by expanding access to services. Additionally, the LAO recommends that the Legislature ask DDS to explain its plans for other ways that findings from the Provider Directory will be used to address any barriers to accessing services (aside from CPP and CRDP funding).

Monitor Development of Future Quality Measures. Chapter 76 establishes the Legislature's interest in using rate reform to improve consumer outcomes, service provider performance, and the quality of services. Given this priority, the Legislature may wish to track the development of individual-level outcome measures over the next several years. Questions to ask the administration could include:

- How will the data collected from the one-time quality incentive payments inform the ongoing quality incentive payments that will be put in place as of 2026?
- What data are necessary to measure individual-level outcomes, and how will the department collect this data?
- How will the department ensure that quality measures do not incentive providers to prioritize "easier to serve" consumers with relatively fewer support needs at the expense of consumers with more significant support needs?
- What steps will the department take to assist providers that fail to fully satisfy quality metrics?

Staff Comments

The Chair and Subcommittee Members may choose to ask the LAO for assistance with drafting trailer bill language, to be shared first with the Subcommittee staff, requiring DDS to report on the systemwide issues learned from the provider directory data and on reporting and formalizing in code the quality incentive payment system that will be developed for implementation starting July 1, 2026.

Staff Recommendation: As part of the trailer bill language drafts that are included under other issues in this agenda, the Chair could request the same for issues in this item – language on information from the provider directory being reported to provide insight into system gaps and needs and reporting and codification of the pending quality incentive payment details.

Hold open.

Issue 6: Life Outcomes Information System (LOIS) Automation Funding, Issues, and Timeline for Completion

Issues for Subcommittee Consideration. This issue provides background on this automation effort, which has recently shifted in iteration, to modernize the current case management and financial systems for the developmental services system. The following is largely from a recent analysis provided by the Legislative Analyst's Office (LAO), available [here](#).

Background. The department has recently started a multiyear effort to modernize the IT systems used in California's 21 RCs. RCs currently use separate IT systems for accounting and case management. Both of these systems are outdated and rely on technology from the 1980s, making it challenging and time-consuming for RCs to perform their responsibilities. The case management systems are not consistent across the 21 RCs, as some RCs have adopted various "workarounds" to overcome shortcomings of the legacy system. Further, the existing systems do not allow consumers or their families to access their records electronically. To address these issues, DDS proposed an IT project for a modern, integrated case and financial management system that will be consistent across regional centers and allow consumers to view their own records. The department has received the following funding for this IT project planning since 2021-22:

- **2021-22 Spending Plan.** California's Home and Community-Based Services Spending Plan, using enhanced federal funding from the 2021 American Rescue Plan Act, allocated \$6 million in one-time federal funding to help modernize DDS's IT systems. Specifically, the funding supported the initial planning process to update the regional center fiscal system and implement a statewide Consumer Electronic Records Management System. This funding was available through 2023-24.
- **2023-24 Spending Plan.** The spending plan provided \$12.7 million (\$12.2 million General Fund) one-time funding to support continued planning efforts for the IT project. The budget package also included supplemental report language requiring the department to provide quarterly written updates to the Legislature on several project details, including project development, stakeholder engagement, and any identified project risks.
- **2024-25 Spending Plan.** The spending plan provided \$1 million General Fund and authorized up to \$5 million in provisional authority for continued IT project planning, pending the potential approval of federal funding. The LAO notes that the department also canceled its Reimbursement System Project, a separate IT project that first received funding in 2019-20.

Reimbursement System Project. In 2024, Department of Developmental Services canceled the Reimbursement System Project due to problems with the contractor. In 2019-20, the Department of Developmental Services (DDS) received \$12 million (\$11.8 million General Fund) in each of 2020-21 and 2021-22 to develop the Reimbursement System Project. This information technology (IT) project was intended to improve DDS's ability to process and claim federal reimbursements for its Medicaid waiver-eligible services, as the "legacy" IT system used to claim federal reimbursements was not meeting the department's programmatic needs. In

2024, the department requested that the California Department of Technology (CDT) cancel the project because the chosen contractor was not able to deliver the agreed-upon product, despite the use of correction plans and remediation efforts. The project ended on June 30, 2024 with the expiration of the contract. DDS has stated that it is evaluating whether to incorporate parts of the canceled Reimbursement System Project into its ongoing IT project for regional centers' case management and accounting systems.

Department Has Submitted Two IT Project Approval Lifecycle (PAL) Documents to Date.

DDS has completed the first two stages in the California Department of Technology's (CDT's) PAL process (the state's IT project approval process): the Stage 1 Business Analysis and Stage 2 Alternatives Analysis. Stage 1 of the PAL process requires the department to justify the project by documenting existing barriers to operations and service delivery, opportunities to address identified barriers, and desired outcomes from the project. Stage 1 additionally requires the department to identify stakeholders affected by the project and describe how these stakeholders will be involved in the planning process. Stage 2 requires the department to conduct market research to determine which IT solution would be able to meet the project's desired outcomes. In this step, the department must also provide detailed project plans, including a financial analysis for the project that compares the cost of maintaining the existing system with the recommended IT solution cost. Taken together, planning documents developed during the PAL process give the Legislature information necessary to evaluate the merits of the proposed IT project.

DDS has stated that, although it has conducted some discussions on desired outcomes for the project (pursuant to Stage 1 of the PAL process), the conversations to date have not adequately captured the range of feedback from all stakeholders (including department staff, RC staff, and families served by the department). The department therefore intends to reopen these conversations in 2025. DDS stated that it already began this effort with internal meetings in January, and that it plans to solicit feedback from regional centers and consumers over the first several months of 2025. As part of this approach, the department also renamed the project from the "Uniform Fiscal System Modernization" and the "Consumer Electronic Records Management System" to the "Life Outcomes Improvement System (LOIS)". According to the department, LOIS pays tribute to Lois Curtis, one of the plaintiffs in the *Olmstead v. L.C.* Supreme Court case that established the right for people with disabilities to live in the least restrictive environment appropriate to meet their needs.

In its original PAL Stage 2 document, DDS estimated that this IT project will cost about \$135 million to \$180 million in total funds (excluding future maintenance and operations costs). In addition to state funding for this project, DDS is requesting enhanced funding from the federal government through the Advanced Planning Document process. This process allows the state to request a 90 percent match in federal funding (rather than California's standard 50 percent match) to develop IT systems that enable the state to more efficiently administer Medicaid benefits. DDS is eligible to request this support because nearly all home- and community-based services for DDS consumers receive federal Medicaid matching funds. DDS has stated that it started this process by working with DHCS to create a Planning Advanced Planning Document (PAPD). The PAPD provides funding for planning activities before the project is implemented.

According to federal regulations, a state's PAPD submission must clearly state the purpose and objectives of the IT project, as well as identify the state's planning activities and resource needs.

Panel

Questions for the Panel:

- ◇ What are the key features to be included in LOIS and what won't be included that was contemplated under the prior automation planning efforts?
 - ◇ How much money will LOIS cost and how will the Administration be held accountable for appropriate costs, meeting timelines, and system performance?
 - ◇ Are there overarching concerns from stakeholders on the new system?
 - ◇ Can the Administration provide a roadmap toward implementation with key expected milestones?
- Pete Cervinka, Director, Department of Developmental Services
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The LAO is raising the following issues for Legislative consideration regarding the pending LOIS system.

Legislative Oversight of IT Project Can Help Ensure Success of Important Project. The LAO recommends that the Legislature exercise its oversight authority to help ensure that this multiyear IT project can be successfully completed on time and within budget. The IT system will directly impact a vulnerable population, which means there is a heightened level of risk associated with the project. The new IT system will eventually help facilitate the use of quality incentive payments as part of rate reform implementation, thereby helping the developmental services system as a whole to move towards individual-level outcomes. Additionally, the cancelation of the Reimbursement System Project in 2024 demonstrates the challenges that can occur in complex IT projects and the level of time and care needed to help these complex projects succeed. For these reasons, legislative oversight throughout the planning, development, and implementation of this project will be critical.

Ensure Department's PAL Documents Reflect Outcomes From 2025 Stakeholder Outreach Efforts. The department's efforts to reengage the community in 2025 likely have merit, as these efforts will help ensure that stakeholders can provide input on the goals and outcomes of the IT project. By reopening these conversations, however, it is likely that the department's desired outcomes for the project will end up differing from what has already been provided in the existing PAL Stage 1 and Stage 2 documents. The department has stated that it plans to submit its findings from the 2025 stakeholder outreach and a revised fiscal estimate to CDT and the Department of Finance for approval.

The LAO recommends that the Legislature clarify in budget hearings whether the department intends to update its PAL documents (which the Legislature receives) as part of this process. To effectively perform legislative oversight of the project, the Legislature must receive project plans that reflect the most recent actions taken by the department to plan, develop, and implement a project. Without updated plans, the Legislature cannot determine whether or not the needs of the department, RCs, and the community are being met by the project. Specifically, in budget hearings, the Legislature could clarify whether the department plans to revise its Stage 1 document to incorporate its plans for stakeholder outreach in 2025. Additionally, the Legislature could clarify whether the department plans to resubmit its Stage 2 document, which would include market research on the best IT solution to meet the additional needs identified by stakeholders and an updated cost estimate.

Consider Funding Options for 2025-26 and Outyears Based on Receipt of Additional Supporting Documentation. The LAO recommends that the Legislature engage with the administration to determine whether DDS's stakeholder engagement efforts for this project in 2025 will require reappropriation of previously approved funds. Given the potential change in the project's direction based on these efforts, this decision must involve the Legislature, rather than being decided solely by the administration. To help inform its consideration of a potential reappropriation of funds, the Legislature could consider requesting a detailed expenditure plan for the funding that was already appropriated for PAL Stages 1 and 2 through provisional budget bill language. As part of this exercise, the Legislature could ask the department to provide detail on the type of stakeholder feedback it plans to solicit in 2025 (and how this input might differ from the feedback the department already collected in PAL Stage 1). This expenditure plan would help the Legislature determine whether the proposed activities funded by the reappropriation adequately support the new direction of the project. Any additional funding for the remaining steps in the PAL process would be contingent upon, at a minimum, the Legislature's review of this plan.

Ensure Department's Submission for Federal Funding Aligns With State Documentation. As of January 2025, the department stated that it was aiming to submit its PAPD to the United States Centers for Medicare & Medicaid Services (CMS) in early 2025. (These submissions are not publicly available.) Once the PAPD is submitted, CMS typically provides a written decision to the state within 60 days. We recommend that the Legislature ask the department to provide a status update on the PAPD process in budget hearings. Much of the information required in the PAPD submission overlaps with the information required in the PAL Stages 1 and 2 documents. As a result, any updates to the state's PAL Stages 1 and 2 documents should be mirrored in the federal PAPD submission to ensure consistency. This consistency will help avoid any potential delays or reductions in the receipt of enhanced federal funding.

Staff Comments

In 2023, the Legislature and the Administration came to agreement on [Supplemental Report Language \(SRL\)](#) requiring the department to provide quarterly written updates on the prior iteration of LOIS. The Subcommittee could request revised and new SRL to require similar reporting on the major features (planning, timelines, spending of appropriated dollars) for the LOIS project.

Staff Recommendation: To facilitate adequate legislative oversight throughout the planning, development, and implementation of the LOIS project, the Chair could request assistance from the LAO in drafting updated SRL, first providing this to the Subcommittee staff.

Hold open.

Issue 7: Federal Threats for Developmental Services and Rehabilitation Communities Served and State/Local Program Operations

Issues for Subcommittee Consideration. This issue discusses the possible impacts of federal actions that concern the communities receiving developmental and rehabilitation services.

Department of Developmental Services (DDS) Response. DDS states that as of March 1, 2025, there have been no financial impacts as a result of federal actions. The Administration continues to monitor federal budget developments. Medicaid, known as Medi-Cal in California, is projected to provide approximately 37 percent of total funding in 2025-26 (\$6.5 billion) for developmental services in California. California's unique entitlement to Lanterman Act services makes the State's General Fund the backstop for reductions in other fund sources and for any impacts to "generic services" (Medi-Cal, In-Home Supportive Services (IHSS), K-12 education and special education, etc.) that must be exhausted before receiving regional center services.

Federal and state privacy laws include protections for the information of individuals and families. Receiving developmental disability services, even when funded by Medicaid, generally does not under current law make anyone a "public charge." However, service providers and regional centers have reported that rates of no-shows and cancellations have increased.

Below is a description of federal funds received by DDS:

1. Part C of the IDEA, Early Start funds, \$57.3 million
Part C federal funding (for 2025-26, \$57.34 million – \$54.4 million in local assistance and \$2.9 million in state operations). It is considered an ongoing grant. Funds are received as a reimbursement for claims submitted by the Department to the federal government on behalf of local educational agencies and regional centers.
2. Medicaid funds, \$6.5 billion
The Department receives federal funding (for 2025-26, \$6.5 billion) from the Centers for Medicare & Medicaid Services ("CMS") under several federal authorities. These are claimed through the Department of Health Care Services and support purchase of services, regional center operations, and headquarters expenditures. They include:
 - Home and Community-Based Services ("HCBS") - \$4.4 billion
 - HCBS Waiver Administration - \$26 million
 - Medicaid Administration - \$24.1 million
 - Targeted Case Management - \$428 million
 - Intermediate Care Facility – Developmentally Disabled - \$64.9 million
 - 1915(i) State Plan Amendment - \$945.9 million
 - Behavioral Health Treatment Fee-for-Service - \$5.6 million
 - Early Periodic Screening Diagnosis Treatment - \$19.8 million
 - Self-Determination Program Waiver - \$324.8 million

3. Foster Grandparent Program, \$1.1 million
The Department receives (for 2025-26, \$1.1 million) for the Foster Grandparent Program, which is a direct federal grant, funded by the Corporation for National and Community Services.

4. Title XX Social Services Block Grant, \$136.3 million
This grant (for 2025-26, \$136.3 million) is used to fund social services for specified service goals. Title XX of the Social Security Act is administered by the federal Office of Community Services, Administration for Children and Families, Department of Health and Human Services.

5. Temporary Assistance for Needy Families Block Grant, \$77.2 million
This grant (for 2025-26, \$77.2 million) is distributed by the federal government and is administered by the California Department of Social Services (CDSS). The Department makes claims for reimbursement to CDSS for expenditures supporting individuals under age 18.

Additionally, DDS reports that as of January 2025:

- Early Start individuals enrolled in Medi-Cal: 12.4 percent
- Lanterman Act individuals enrolled in Medi-Cal: 71.1 percent
- Share of individuals receiving regional center services who also receive IHSS: 34 percent

Department of Rehabilitation (DOR) Response. DOR states that it is closely monitoring federal actions that may affect key funding streams as changes to federal programs could significantly impact the availability and continuity of services. At this time, DOR is not aware of any proposed cuts or freezes to federal funding awarded to DOR.

Panel

Questions for the Panel:

- ◇ What are state leaders for programs under discussion today hearing about possible federal actions?
 - ◇ What are possible impacts of adverse federal actions, if taken, on the communities you serve?
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- Pete Cervinka, Director, Department of Developmental Services
 - Kim Rutledge, Director, Department of Rehabilitation
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Staff Recommendation: Hold open.

Issue 8: Disaster Response and Impact of Los Angeles Fires for Developmental Services and Rehabilitation Communities Served and State/Local Program Operations

Issues for Subcommittee Consideration. This issue discusses the impacts of recent Los Angeles fires for communities receiving developmental and rehabilitation services.

Department of Developmental Services (DDS) Response. The Department's response for this event and all statewide events includes immediate outreach to alert regional centers about the upcoming weather concerns. In this case, wind advisories and red flag warnings began on January 6. All initial information received was shared with the emergency coordinators for quick response and action to notify their communities served.

Throughout the event, the Department was in close communications with impacted regional centers, providing ongoing support and continuous monitoring for changes to local evacuation warnings and orders, as well as providing resources available. These changes were provided in a geographical information system (GIS) map shapefile so regional centers could quickly identify individuals that might require additional supports such as those that rely on life sustaining medical equipment, are non-ambulatory, or live alone. The information also allowed regional centers to begin local outreach efforts to obtain wellness checks or quickly identify unmet needs.

The initial evacuation orders included over 1,400 individuals served by seven regional centers in the Los Angeles area. The Department obtained daily situational reports from the regional centers to gain a clear understanding of local response efforts, address any identification of unmet needs, and assist with support as needed throughout the event. The Emergency Preparedness Unit worked closely with the communications team to ensure vital information and resources were amplified on the public facing website. This same information was shared with regional centers on a flow basis.

Daily executive updates as well as required event reporting initiated by California Health & Human Services Agency on current status and impacts were completed. In local recovery efforts, the Department is aware of 253 individuals receiving regional center services, 13 licensed facilities, and two regional center employees who have lost their homes and one death of an individual receiving regional center services as a result of the fires. To support individuals impacted by the fires, regional centers organized clothing/food/supplies drives for families affected by the Los Angeles Fires and supported families and vendors to connect with Federal Emergency Management Agency (FEMA) and Disaster Resource Centers ([Service Coordinators Make a Difference in Wildfire Response and Recovery: CA Department of Developmental Services](#)).

The Department also issued a directive for regional center executive directors to approve rate adjustments for service providers during the emergency and expanded remote service delivery. To address service disruptions, the Department informed regional centers that vendors could bill for absences as a result of the fires, pursuant to Title 17, Sec. 54326(a)(11). To date, ongoing support continues with sharing of available FEMA resources, information on local community meetings specific to voluntary organizations providing "boots on the ground" response so

regional centers stay connected to ongoing supports in the area to support the individuals and families impacted by this event.

A representative of the Department of Education, Office of Special Education Programs (OSEP) Disaster Response Lead, Dr. Kate Moran, in collaboration with the Disaster Recovery Unit (DRU), will be deploying to California the week of March 10, to assess infant, toddler, family, staff and providers needs currently impacting the implementation of services. Dr. Moran will be meeting with San Gabriel Pomona Regional Center and Westside Regional Center, the two regional centers with the greatest impacts.

Department of Rehabilitation (DOR) Response. All DOR offices within the impacted areas are currently open. None of the DOR offices in impacted areas were damaged or closed for any prolonged period. To date, DOR has not seen any long-term impacts, long-term delays, or overall reduction of services to participants in Los Angeles County. All eligible individuals and in-plan participants needing employment or reemployment services continue to access DOR services in the Los Angeles area. DOR staff continue to liaise with the Regional Centers in the impacted areas and offer support to interested individuals.

Panel

Questions for the Panel:

- ◇ How many individuals served in your systems were displaced as a result of the Los Angeles fires? How is the state helping to stabilize families and services for these persons served?
 - ◇ What are the real impacts on families that departments on this panel have seen as a result of the fires? How have Regional Centers and Independent Living Centers responded?
 - ◇ What would the state or local agencies do differently in a possible disaster based on their experiences with the Los Angeles fires?
- Pete Cervinka, Director, Department of Developmental Services
 - Kim Rutledge, Director, Department of Rehabilitation
 - Omar Sanchez, Finance Budget Analyst, Department of Finance
 - Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office

Staff Comments

Staff Recommendation: Hold open.

Non-Presentation Items

The following proposals do not require a formal presentation from the Administration, as issues are not being raised about them for discussion as of this writing. Members of the Subcommittee may ask questions, make comments, or request a presentation by the Administration on these proposals, at the discretion of the Subcommittee Chair. Members of the public can provide public comment on these items during the Public Comment period, after discussion on the issues to be heard has concluded.

0530 California Health and Human Services Agency

4100 State Council on Developmental Disabilities

4300 Department of Developmental Services

Issue 9: Related Governor's Budget Change Proposals (BCPs)

For more detailed information please see the Department of Finance's website [here](#).

Public Records Act – Regional Center Requirements (AB 1147) BCP. The Public Records Act Budget Change Proposal (BCP) requests funding for each regional center to comply with the recently enacted statute, and positions at the Department to provide training and support. The Department is coordinating with regional centers to provide information and training as well as other supports to regional centers in preparation for the statute's January 1, 2026 effective date.

California Electronic Visit Verification (CalEVV) Resources BCP. The Department also has a resource request included in the multi-department California Electronic Visit Verification (CalEVV) Resources BCP. For the Department, this proposal would make two existing limited-term positions permanent based upon the workload. Almost half of all services currently billed are required to be compliant with the EVV requirement. This multi-department proposal requests a total of four positions and \$1.39 million (\$1.05 million General Fund) for California Electronic Visit Verification in 2025-26 and ongoing so that Medicaid funded care providers are federally compliant with the 21st Century Cures Act, which is required for the state to maintain federal funding for services across California.

State Council on Developmental Disabilities Reappropriation BCP. The State Council on Developmental Disabilities (SCDD) proposes reappropriation of one-time General Fund resources for the Supported Decision-Making Technical Assistance Program (SDM-TAP) authorized by Control Section 19.56 (Sec. (i)(16)(A) and (B)) of Chapter 249, Statutes of 2022 (AB 179). AB 179, as part of the 2022 Budget Act, allocated \$5 million General Fund to the SCDD for implementation of the SDM-TAP. Specifically, the allocation designated one-time \$2 million to operate the program and one-time \$3 million to be awarded in grant funding. To date, the SCDD's SDM-TAP effort has awarded \$2.9 million of the \$3 million available for grants (C.S. 19.56, Sec. (i)(16)(B)). The program is supported by 3 limited-term positions and, as of June 30, 2024, personnel costs totaled approximately \$302,000, with an additional \$44,000 expended for operating expenses and equipment, and approximately \$259,000 in contracts. These

operational expenses are supported from the \$2 million appropriated under C.S. 19.56, Sec. (i)(16)(A). For the current year, the SCDD has \$1.4 million available for expenditure under this section, and \$3 million available under Section (i)(16)(B). The SCDD currently estimates that approximately \$507,000 will remain at the end of 2024-25. This reappropriation request will extend the SCDD’s ability to encumber funds through 2025-26 and liquidate obligations through the end of 2026-27 to effectively close out grants and contracts, and fully maximize the SDM-TAP funding.

Staff Comments

Staff is not aware of issues being raised with these BCPs as of this writing.

Staff Recommendation: Hold open.

This agenda and other publications are available on the Assembly Budget Committee’s website at: [Sub 2 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Nicole Vazquez.