

# California State Assembly



## Agenda

### Assembly Budget Subcommittee No. 2 on Human Services

Assemblymember Dr. Corey Jackson, Chair

Wednesday, April 15, 2026  
1:30 P.M. – State Capitol, Room 126  
(Please note room change.)

Items To Be Heard		
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<b>4300</b>	<b>Department of Developmental Services</b>	<b>6</b>
<b>4100</b>	<b>State Council on Developmental Disabilities</b>	
<b>5160</b>	<b>Department of Rehabilitation</b>	
<b>5180</b>	<b>Department of Social Services</b>	
Issues	<ol style="list-style-type: none"><li>1. Impacts of H.R. 1 for the I/DD Community in California</li><li>2. Impacts of (A) Federal/State Reductions and Proposals for Medi-Cal and (B) Proposed Cuts in IHSS for the Developmental Services System</li><li>3. Governor's Trailer Bill Language Proposal on Rate Reform/Quality Incentive Program Contract Exemption</li><li>4. Governor's Trailer Bill Language Proposal on Regional Center Oversight/Fiscal Allocation Letter</li><li>5. Governor's Trailer Bill Language Proposal on Early Intervention Programs Oversight</li><li>6. Governor's Trailer Bill Language Proposal and Budget Change Proposal on Life Outcomes Improvement System (LOIS)</li><li>7. Governor's Trailer Bill Language Proposal on Remote Services</li><li>8. Governor's Trailer Bill Language Proposal and Budget Change Proposal on Federal Access Rule and New Grievance Process</li><li>9. Governor's Trailer Bill Language Proposal on Employment Access Alignment</li></ol>	<ol style="list-style-type: none"><li>6</li><li>12</li><li>15</li><li>22</li><li>28</li><li>30</li><li>35</li><li>38</li><li>46</li></ol>

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## Panels

**4300 Department of Developmental Services (DDS)**

**4100 State Council on Developmental Disabilities (SCDD)**

**5160 Department of Rehabilitation (DOR)**

**5180 Department of Social Services (DSS)**

### Issue 1: Impacts of H.R. 1 for the I/DD Community in California

- Pete Cervinka, Director, Department of Developmental Services
- Alexis Fernandez Garcia, Deputy Director Family Engagement and Empowerment Division, California Department of Social Services
- Joe Meadours, Former Executive Director, People First California, and Alta Regional Center Consumer
- Sabrina Epstein, Policy Analyst, Disability Rights California
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

### Issue 2: Impacts of (A) Federal/State Reductions and Proposals for Medi-Cal and (B) Proposed Cuts in IHSS for the Developmental Services System

- Pete Cervinka, Director, Department of Developmental Services
- Leora Filosena, Deputy Director, California Department of Social Services
- Ana Alonso, Disability Voices United Ambassador and parent of two sons served by Kern Regional Center
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

### Issue 3: Governor's Trailer Bill Language Proposal on Rate Reform/Quality Incentive Program Contract Exemption

- Aaron Christian, Chief, Department of Developmental Services
- Dana Simon, Deputy Director, Department of Developmental Services
- Barry Jardini, Executive Director, California Disability Services Association
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

### Issue 4: Governor's Trailer Bill Language Proposal on Regional Center Oversight/Fiscal Allocation Letter

- Pete Cervinka, Director, Department of Developmental Services
- Vivian Haun, Senior Policy Attorney, Disability Rights California

- Judy Mark, Parent of person served by a regional center, President, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 5: Governor's Trailer Bill Language Proposal on Early Intervention Programs Oversight**

- Maricris Acon, Deputy Director, Department of Developmental Services
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 6: Governor's Trailer Bill Language Proposal and Budget Change Proposal on Life Outcomes Improvement System (LOIS)**

- Aaron Christian, Chief, Department of Developmental Services
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 7: Governor's Trailer Bill Language Proposal on Remote Services**

- Ernie Cruz, Deputy Director, Department of Developmental Services
- Aaron Carruthers, Executive Director, State Council on Developmental Disabilities
- Emmalynn Chaubard, Government Affairs Director, California Disability Services Association
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 8: Governor's Trailer Bill Language Proposal and Budget Change Proposal on Federal Access Rule and New Grievance Process**

- Michael McNulty, Branch Chief, Department of Developmental Services
- Katie Hornberger, Deputy Director, Department of Developmental Services
- Will Leiner, Managing Attorney, Disability Rights California
- Fernando Antonio Gomez, Parent Advocate - Founder, Integrated Community Collaborative (ICC)
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 9: Governor’s Trailer Bill Language Proposal on Employment Access Alignment**

- Sonya Fox, Branch Chief, Department of Developmental Services
- Yang Lee, Chief, Department of Developmental Services
- Jessica Grove, Deputy Director of Vocational Rehabilitation Policy and Resource Division, Department of Rehabilitation
- Vivian Haun, Senior Policy Attorney, Disability Rights California
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 10: Governor’s Trailer Bill Language Proposal on Self-Determination Program Administrative Costs Funding**

- Marlene Morales, Branch Chief, Department of Developmental Services
- Yang Lee, Chief, Department of Developmental Services
- Judy Mark, Parent of person served by a regional center, President, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Issue 11: Governor’s Trailer Bill Language Proposal on Regional Center Supported Living Services 40-Hour Work Week**

- Christine Bagley, Branch Chief, Department of Developmental Services
- Mark Melanson, Chief Executive Officer, California Community Living Network
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**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 12).**

**Thank you.**

## Items To Be Heard

**4300 Department of Developmental Services (DDS)**

**4100 State Council on Developmental Disabilities (SCDD)**

**5160 Department of Rehabilitation (DOR)**

**5180 Department of Social Services (DSS)**

### Issue 1: Impacts of H.R. 1 for the I/DD Community in California

The Department of Developmental Services (DDS) is responsible for administering the Lanterman Developmental Disabilities Services Act (Lanterman Act). The Lanterman Act was originally 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 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 is substantial, expected to continue indefinitely, and which began before the age of 18. There are no income-related eligibility criteria. The Lanterman Act provides for the coordination and provision of services and supports to enable people to achieve their goals. Additionally, the Early Start Program provides services to infants and toddlers who have, or are at risk of having, a developmental disability. Services are delivered through a statewide network of 21 private, nonprofit, locally based community agencies known as Regional Centers (RCs), as well as through state-operated programs.

The number of individuals served by RCs in the community is expected to be 489,254 in the current year and increase to 526,848 in 2026-27. In addition, the proposed budget supports capacity for 302 individuals that can be served through state-operated services. The Governor's Budget includes \$21.1 billion (\$13.5 billion General Fund) for 2026-27, a net increase of \$2.4 billion (\$1.6 billion General Fund) over the updated 2025-26 budget, a 13 percent increase. In addition to caseload and utilization updates, the proposed 2026-27 budget includes the following major adjustments:

- Life Outcomes Improvement System (LOIS): Increase of \$14.6 million (\$5.7 million General Fund). One-year limited-term resources equivalent to 20 positions to continue the planning phase of the project.
- Federal Access Rule: Increase of \$2.4 million (\$2.1 million General Fund). Includes ongoing resources and nine positions to address increased workload related to compliance with the federal Home and Community-Based Services Access Rule.
- State Operations: The transfer of 70 positions and associated dollars within the Department to support department-wide operations and address programmatic needs, including autism and employment services.
- Fairview Developmental Center: A decrease of \$8.1 million General Fund, reflecting the cold shutdown of Fairview Developmental Center while the property's disposition process continues.

The following summary chart was provided by DDS.

### Program Highlights

(Dollars in Thousands)

	FY 2025-26	FY 2026-27	Difference
<b>Community Services Program</b>			
Regional Centers	\$18,196,079	\$20,632,003	\$2,435,924
<b>Total, Community Services</b>	<b>\$18,196,079</b>	<b>\$20,632,003</b>	<b>\$2,435,924</b>
General Fund	\$11,546,678	\$13,154,785	\$1,608,107
Program Development Fund	\$434	\$0	(\$434)
Developmental Disabilities Services Account	\$150	\$150	\$0
Federal Trust Fund	\$55,482	\$55,399	(\$83)
Reimbursements	\$6,592,595	\$7,420,929	\$828,334
Behavioral Health Services Fund	\$740	\$740	\$0
<b>State Operated Services</b>			
Personal Services	\$262,685	\$244,015	(\$18,670)
Operating Expense & Equipment	\$41,920	\$49,267	\$7,347
<b>Total, State Operated Services</b>	<b>\$304,605</b>	<b>\$293,282</b>	<b>(\$11,323)</b>
General Fund	\$274,363	\$263,784	(\$10,579)
Lottery Education Fund	\$141	\$141	\$0
Reimbursements	\$30,101	\$29,357	(\$744)
<b>Headquarters Support</b>			
Personal Services	\$132,934	\$140,097	\$7,163
Operating Expense & Equipment	\$41,235	\$43,143	\$1,908
<b>Total, Headquarters Support</b>	<b>\$174,169</b>	<b>\$183,240</b>	<b>\$9,071</b>
General Fund	\$111,277	\$118,365	\$7,088
Federal Trust Fund	\$4,116	\$4,167	\$51
Program Development Fund	\$461	\$461	\$0
Reimbursements	\$57,799	\$59,731	\$1,932
Behavioral Health Services Fund	\$516	\$516	\$0
<b>Total, All Programs</b>	<b>\$18,674,853</b>	<b>\$21,108,525</b>	<b>\$2,433,672</b>
<b>Total Funding</b>			
General Fund	\$11,932,318	\$13,536,934	\$1,604,616
Federal Trust Fund	\$59,598	\$59,566	(\$32)
Lottery Education Fund	\$141	\$141	\$0
Program Development Fund	\$895	\$461	(\$434)
Developmental Disabilities Services Account	\$150	\$150	\$0
Reimbursements	\$6,680,495	\$7,510,017	\$829,522
Behavioral Health Services Fund	\$1,256	\$1,256	\$0
<b>Total, All Funds</b>	<b>\$18,674,853</b>	<b>\$21,108,525</b>	<b>\$2,433,672</b>
<b>Caseloads</b>			
State Operated Services	302	302	0
Regional Centers	489,254	526,848	37,594
<b>Departmental Positions</b>			
State Operated Services	1,753.7	1,715.1	(38.6)
Headquarters	810.0	824.0	14.0

For more information on the DDS budget, growth, and utilization, please see the [recent LAO analysis](#) on this subject.

**Impacts of H.R. 1 Changes for Medi-Cal and CalFresh and Impacts for Individuals with Intellectual and Developmental Disabilities (I/DD) in California.** DDS can draw down federal Medicaid funding to support home- and community-based services provided to consumers enrolled in Medi-Cal. This federal HCBS funding has historically supported about 35 percent to 45 percent of total costs in DDS. Of the DDS consumers enrolled in Medi-Cal, the majority (about 60 percent based on the most recent available data) qualify automatically because they receive Supplemental Security Income/State Supplementary Payment (SSI/SSP). A smaller share of consumers enrolled in Medi-Cal qualify through the income-eligibility pathway, including children whose families are income-eligible.

Medi-Cal is an important source of health care coverage for many DDS consumers, particularly those who lack commercial health insurance. For DDS consumers enrolled in Medi-Cal, Medi-Cal acts as the primary payer for their health care services. Under current law, the RC would generally become the payer of last resort for certain health care services if a consumer could demonstrate that no other source of coverage was available.

**H.R. 1 Makes Changes to Medicaid Eligibility, but an Exemption Can Apply to DDS Consumers.** H.R. 1 imposes new eligibility requirements on nondisabled childless adults who qualify for Medi-Cal via their income (that is, excluding individuals who qualify automatically because they receive SSI/SSP). Specifically, H.R. 1 requires these adults to (1) verify that they have completed at least 80 hours per month of work, education, or community service, and (2) verify eligibility every six months, rather than every 12 months. Notably, H.R. 1 exempts certain groups from these new eligibility requirements, including individuals with an intellectual or developmental disability that significantly impairs their ability to perform one or more activities of daily living, as well as family caregivers of disabled individuals. This means that, as a matter of law, all DDS consumers enrolled in Medi-Cal via the income eligibility pathway should be exempt from the new H.R. 1 requirements. The department stated that about 15,000 adult consumers are enrolled in Medi-Cal via the income eligibility pathway.

H.R. 1 changes to CalFresh similarly could impact the above-noted population. In CalFresh, work requirements for Able-Bodied Adults Without Dependents (ABAWDs) will begin to be applied starting June 1, 2026. Exemptions for DDS consumers and their caregivers are being sought administratively through matching of information already in the state's information and data systems. However, it is unknown how effective this will be to ensure that consumers and their caregivers receiving CalFresh, Medi-Cal, and In-Home Supportive Services will be held harmless to the adverse impacts of H.R. 1, which could mean loss of health and food benefits for this population. This is discussed further below.

**Successful Exemption of DDS Consumers Depends on Administration's H.R. 1 Implementation Plan.** While the language of H.R. 1 indicates that states should exempt individuals with an intellectual or developmental disability and their family caregivers from new Medicaid eligibility requirements, the degree to which these exemptions are successfully implemented in California will depend on the administration's approach. The administration, led

by the Department of Health Care Services (DHCS), has stated that it intends to maximize the use of existing data sources to confirm continuing eligibility of Medi-Cal enrollees without burdening enrollees with paperwork. DDS indicated that it has already been working with DHCS to match information across each department's records with the goal of automatically exempting all 15,000 adult DDS consumers in the income eligibility pathway from the new requirements. This could be more challenging for consumers' family caregivers, as RCs maintain information on family caregivers for children, but less so for caregivers of adult consumers.

**RC Staff Can Assist Consumers With Their Medi-Cal Enrollment.** While county governments manage all Medi-Cal eligibility determinations, DDS consumers can request assistance from their RC in applying for and maintaining Medi-Cal coverage. DDS indicated that it intends to collaborate with RCs to monitor any potentially emerging workload needs resulting from H.R. 1-related requests for assistance from consumers.

**Minimizing Potential Adverse Impacts of H.R. 1.** The Legislature will likely want to engage in oversight to ensure that DDS consumers in practice are exempt from the new H.R. 1 requirements to the maximum extent possible. Aside from potential disruptions to individual consumers in their access to health care coverage and food benefits, any errors in the exemption system could also have broader fiscal implications for the state. This is because any loss in Medi-Cal eligibility will reduce the amount of federal reimbursements that DDS can claim for RC-coordinated services. Additionally, loss of Medi-Cal coverage could require RCs to pay for health care services for consumers at full cost to the state if no other source of care is available.

Additional questions for the Subcommittee to consider asking include:

- Is there a role for RCs to educate individuals and families served on the upcoming changes from H.R. 1? If so, how would DDS oversee this effort?
- How will DDS collaborate with DHCS in the coming months to ensure its planned processes are successful in exempting all eligible DDS consumers from the H.R. 1 eligibility requirements?
- What is the role of the California Health and Human Services Agency in this process, particularly in light of the role the Agency has played in the Master Plan for Developmental Services' origin and process?
- It is possible that the state's new automated data matching processes could fail to automatically exempt some DDS consumers from the H.R. 1 eligibility requirements. If this were to occur, what systems will be in place to identify these cases and notify the appropriate RC in a timely manner so that the RC can correct the error?
- The department stated that its budget projections for 2026-27 do not incorporate any potential added costs due to the changes in H.R. 1. Will the department be able to determine whether its costs increase in the future due to H.R. 1? If so, how?

For more information on impacts of H.R. 1 on Medi-Cal and CalFresh, please see the Subcommittee's agendas for the February 25, 2026, and March 25, 2026, hearings.

**Panel****Questions for the Panel:**

- ◇ What are the foreseeable impacts of federal H.R. 1 on the DDS system and the I/DD community receiving supports and services?
- ◇ How many people served under the Lanterman Act are expected to be impacted by the CalFresh changes under H.R. 1?
- ◇ How will the Medi-Cal changes under H.R. 1 impact the Regional Center served caseload?
- ◇ How can the state facilitate and streamline exemptions for those with I/DD and their caregivers? Can we codify this?
- ◇ What impacts are expected for the Unsatisfactory Immigration Status (UIS) community who are Regional Center served?
- ◇ What planning is occurring to address the possible generic services loss as a result of the Medi-Cal reductions and H.R. 1 changes? How does this align with the Master Plan for Developmental Services?
- ◇ What is the status of the generic services work as required under SB 138 (Chapter 192, Statutes of 2023)?
- ◇ What product is expected from Manatt, Phelps & Phillips LLP pursuant to the contract executed on August 1, 2025 (ending June 30, 2026, with total funding across multiple activity areas of \$3.77 million) regarding H.R. 1 impacts? Can this be shared with the Legislature?

**Panel:**

- Pete Cervinka, Director, Department of Developmental Services
- Alexis Fernandez Garcia, Deputy Director Family Engagement and Empowerment Division, California Department of Social Services
- Joe Meadours, Former Executive Director, People First California, and Alta Regional Center Consumer
- Sabrina Epstein, Policy Analyst, Disability Rights California
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

In addition, the Subcommittee may choose to ask for technical assistance feedback from DDS, DHCS, and DSS on the concept of a statutory blanket exemption for the DDS caseload based on “physical or mental impairment” for Medi-Cal and “medically certified as physically or mentally unfit for work” for CalFresh. This approach could uniquely aid in removing one area of concern for people served under the Lanterman Act. Counties would have clarity that if an individual is served through a Regional Center, then the work requirement question is moot. Additionally, this would not in any way infringe or impede on an individual with I/DD who is working. They simply would not need to address this issue as part of their continued eligibility for either program. Of course, remaining changes could impact eligibility, but the work requirement question would be set aside.

**Staff Recommendation:** Hold open.

**Issue 2: Impacts of (A) Federal/State Reductions and Proposals for Medi-Cal and (B) Proposed Cuts in IHSS for the Developmental Services System**

**Most Services Provided to DDS Consumers Enrolled in Medi-Cal Receive Federal Funding.** DDS can draw down federal Medicaid funding to support services provided to consumers who are enrolled in Medi-Cal. For eligible services, costs are shared evenly between the federal government and the state. Nearly all home- and community-based services coordinated by RCs are eligible to receive federal Medicaid matching funds. Such services include residential services, independent and supported living services, day programs, transportation, supported employment, and respite services. In addition, some of the time spent on case management by RC staff for consumers enrolled in Medi-Cal is eligible for federal Medicaid funding. The department estimates that about 70 percent of consumers are currently enrolled in Medi-Cal.

The following information on Medi-Cal and the DDS caseload was provided by the department.

	Jan 2018	Jan 2019	Jan 2020	Jan 2021	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026
Individuals with Medi-Cal	234,128	233,713	239,750	247,826	252,453	258,952	262,747	285,481	314,235
Caseload	328,630	335,071	351,768	358,682	377,747	397,707	426,692	452,678	496,215
Percent Eligible	71.2%	69.8%	68.2%	69.1%	66.8%	65.1%	61.6%	63.1%	63.3%

**Medi-Cal eligibility by DDS Program, August 2025**

Program	DDS Caseload	Medi-Cal	% Medi-Cal
Early Start (Status 1)	62,260	12,873	21%
Lanterman (Status 2, 3, or 8)	395,104	292,432	74%
Provisional (Status U)	13,508	4,504	33%
SDP participant (Any Status)	7,949	6,818	86%
<b>Total</b>	<b>478,821</b>	<b>316,627</b>	<b>66%</b>

Data Source: DDS Comprehensive dataset and IHSS return file, August 2025. Run date February 2026. Data allow for a six-month reporting delay.

**In-Home Supportive Services and the DDS Caseloads.** As of August 2025, roughly one third (32 percent) of the 479,000 individuals with active regional center eligibility also have IHSS service authorizations. IHSS overlap differs significantly by DDS program (see table below) and is highest among those in Lanterman (37 percent) and Self-Determination Program (SDP) (69 percent) programs.

**IHSS receipt by DDS Program, August 2025**

Program	DDS Caseload	IHSS	% IHSS
Early Start (Status 1)	62,260	1,112	2%
Lanterman (Status 2, 3, or 8)	395,104	146,638	37%
Provisional (Status U)	13,508	950	7%
SDP participant (Any Status)	7,949	5,490	69%
<b>Total</b>	<b>478,821</b>	<b>154,190</b>	<b>32%</b>

Data Source: DDS Comprehensive dataset and IHSS return file, August 2025. Run date February 2026. Data allow for a six-month reporting delay.

**Multi-Year Reductions Projected for the Governor’s IHSS Proposed Cuts.** The Governor’s IHSS proposals are discussed in more depth in the March 25, 2026, Subcommittee agenda. In summary, these Governor’s Budget proposals include:

- A proposal to remove the state’s share of cost associated with any growth in IHSS hours per case starting next year, which cuts \$233.6 million General Fund in 2027-28, growing to \$805 million in 2029-30.
- A proposal to align IHSS eligibility timelines with Medi-Cal, which is estimated cuts \$86 million in 2026-27 and ongoing.
- A proposal to eliminate the IHSS Permanent Back-Up Provider System (BUPS), which cuts \$3.5 million in 2026-27 and ongoing.

DSS provided the out-year impacts of these cut proposals, included in this table:

IHSS Proposals – GF Savings (dollars in millions)	2026-27	2027-28	2028-29	2029-30
IHSS Assessed Hours/Cost Shift	-	233.6	499.5	805.0
IHSS Auto-Termination	86.0	181.3	197.3	214.3
IHSS BUPS Elimination	3.5	3.7	3.9	4.1

**DDS Assessment of Governor’s Cuts to IHSS.** DDS states that although approximately 154,000 people receiving regional center services also currently receive IHSS, the three IHSS proposals largely would not impact regional center services.

**Panel**

**Questions for the Panel:**

- ◇ What are the expected impacts of each (and all three together) of the IHSS Governor’s Budget proposals for the I/DD community and for Regional Centers?

- ◇ To what extent is the assessed hours rate of growth attributable to cases that cross over with Regional Centers where IHSS consumers are receiving protective supervision (195 hours/month if not severely impaired and 283 hours/month if severely impaired)?
- ◇ What will occur if a person served currently under IHSS loses their IHSS or experiences a reduction in hours due to the Governor’s cut proposals in IHSS? How will Regional Centers respond and with what resources?
- ◇ How do the Governor’s proposals for IHSS and their resultant impact on the I/DD community align or not with the Master Plan for Developmental Services?
- ◇ How will the Medi-Cal state changes (enacted and proposed) impact the Regional Center served caseload?
- ◇ What impacts are expected for the Unsatisfactory Immigration Status (UIS) community who are Regional Center served and who are also on Medi-Cal and IHSS?
- ◇ How is the Governor’s proposal compatible, or not, with the Governor’s February 17, 2026, response to the Centers for Medicaid and Medicare Services?

**Panel:**

- Pete Cervinka, Director, Department of Developmental Services
- Leora Filosena, Deputy Director, California Department of Social Services
- Ana Alonso, Disability Voices United Ambassador and parent of two sons served by Kern Regional Center
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee may wish to request an analysis from DDS, DHCS, and DSS on the implications of the Medi-Cal (enacted and proposed) and of the IHSS (proposed) changes on the DDS caseload before the May Revision. To whatever degree there are future proposals on caseloads where they are crosscutting impacts, the Subcommittee may wish to request this holistic funding and human impacts analysis.

**Staff Recommendation:** Hold open.

**Issue 3: Governor's Trailer Bill Language Proposal on Rate Reform/Quality Incentive Program Contract Exemption**

The following background for this issue was provided by the Legislative Analyst's Office (LAO).

**Recent Rate Study Determines Payments for Services, Including Quality Component.** For decades, the state paid DDS service providers 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 completed in January 2020. The 2021-22 budget began a multiyear, phased-in implementation of a modernized rate model to pay service providers. The final stage of implementation has been in effect since January 1, 2025. Since this date, statute has required that the rates paid to service providers 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.

**Service Provider Rate Reform Intended to Improve Access to Services.** The state initiated a rate study for DDS services 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. The funding to implement the rate study's recommended rate models was phased in beginning in 2021-22, ramping up to current levels by 2024-25. The increased funding was intended to support a sufficient supply of quality service providers by raising funding levels for providers via increased rates.

**Rate Reform Also Focused on Quality of Services and Outcomes.** State statute (Chapter 76 of 2021 [AB 136, Committee on Budget]) establishes legislative intent that rate reform implementation should help the developmental services system focus on outcomes. To achieve this, statute specifies that provider payments should be linked to consumer outcomes. Specifically, statute provides that the fully funded provider rate models are to 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. Statute also establishes that performance metrics should evolve from initially being more process-related (such as providers completing certain tasks by set 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.

**Quality Incentive Payments in Place Since 2025.** The final phase of rate reform has been implemented since January 2025. Since this time, rate models are fully funded, with the 90 percent (base rate) and 10 percent (quality incentive payment) structure set out in statute. For the period spanning from January 1, 2025, through June 30, 2026, providers could earn the quality incentive portion of rate models by enrolling in DDS's Provider Directory.

As a budget solution, the 2025-26 Budget Act added three criteria that providers must satisfy to be eligible to earn a quality payment equal to 10 percent of the rate model beginning in July 2026 (in addition, providers would still need to meet quality benchmarks to earn the additional

payment, as described next). Specifically, in order to be eligible, providers must (1) comply with Electronic Visit Verification, (2) comply with the federal HCBS Settings Rule, and (3) complete independent audits or reviews if total payments from RCs are above a certain threshold. Providers must satisfy these requirements by February 27, 2026, to be eligible to receive a full fiscal year of quality payments for 2026-27. Stakeholders have recently expressed concerns about the challenges of meeting this deadline for independent audits and reviews, particularly for providers at or near the payment threshold. In response, the department released guidance on February 11, 2026, indicating that providers will have the opportunity to earn a partial year of quality payments if they come into compliance after the February 27 deadline.

For the period spanning from July 1, 2026, through June 30, 2027, providers can earn the quality incentive portion of the rate models by completing surveys about workforce capacity and service delivery. (Providers must complete the surveys in addition to satisfying the three criteria listed in the previous paragraph. The deadline for providers to complete the surveys was February 27, 2026.) To encourage survey completion, the department offered trainings to providers on the data collection surveys and sent weekly e-mail reminders to remind providers to submit their data before the deadline.

**Department Collecting Data to Inform Future Quality Metrics.** The department stated that the provider surveys will form a baseline for the development of future quality measures. Specifically, the department is collecting data about providers' workforce capacity (staffing, vacancies, wages, and turnover), service delivery (where, how, and in what languages services are provided), and data specific to providers of employment services and providers of residential services. By measuring these existing practices, the department intends to have a better sense of average performance across providers. This will help the department determine the levels of performance that would be reasonable as a standard for future quality measures. The department indicated that early attention to these process-oriented measures will help prepare for eventually measuring individual outcomes. Per statute, any metrics or benchmarks for individual outcomes must be established with input from stakeholders through public meetings and 30-day public comment periods. As part of this, the department has convened a Quality Incentive Program workgroup since 2021, which has helped to select previous quality metrics.

**Will Department Need to Update Its Estimated Savings Compared to June 2025?** In June 2025 at budget enactment, the department estimated that it would save \$222 million in ongoing General Fund savings by imposing the three additional "pre-qualifiers" that providers must satisfy in order to be eligible to earn a quality incentive payment. The actual savings achieved from this budget solution in 2025-26 will depend on the number of providers who fail to comply with the new requirements. Given the department's recent decision to allow providers to earn a partial-year payment if they miss the initial deadline, it is possible that savings will erode from the original estimate. The Legislature could ask the department at budget hearings to provide an updated savings estimate for this budget solution.

**How Will the Quality Incentive Program Balance Meaningful Standards With Achievability?** The department indicated that future quality metrics will be based upon a benchmark of providers' current performance. As future quality metrics are established, the department will need to work with stakeholders to determine its definition of "quality" services

and individual outcomes. In practice, quality can be challenging to measure given the expansive nature of an individual’s well-being and the many outcomes involved. Future metrics should be sufficiently robust to reinforce quality, but not so stringent that a large share of providers fail to meet the standards across multiple years and potentially risk ongoing revenue losses due to reduced payments. The department has stated that it intends to approach the quality incentive program as an iterative process. Future iterations could provide opportunities for legislative engagement and oversight.

**Will Providers That Fail to Satisfy Future Quality Measures Receive Technical Assistance to Improve Performance Going Forward?** Providers have expressed concerns about whether the department or RCs will offer technical assistance to providers that fail to meet quality measures in a given year. The department has stated that its goal is to have as many providers as possible earn the quality payments, but it has not yet discussed how it might approach circumstances in which providers do not achieve them. The Legislature could ask the department at budget hearings to share its current thinking on whether it is contemplating providing technical assistance to support providers, and if so, how such effort could be funded.

**Information on Provider Survey Completion.** DDS provided the following information as of February 27, 2026.

<u>Survey</u>	<u>Complete</u>	<u>Incomplete</u>	<u>Total</u>	<u>Completion Percentage</u>
Provider Capacity	5,748	1,867	7,615	75%
Prevention and Wellness – Adult	4,486	1,598	6,084	73%
Prevention and Wellness – Child	180	76	256	70%
Employment	212	16	228	93%
<b>Total</b>	<b>10,626</b>	<b>3,557</b>	<b>14,183</b>	<b>Average: 78%</b>

**Governor’s Proposal.** The following background and justification on this Governor’s trailer bill proposal was provided by the Administration. Please see the Department of Finance website

on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS proposes extending the contract exemption authorized in the annual Budget Act for rate reform and the Quality Incentive Program to December 31, 2030. The Department also proposes extending the timeline to finalize rate reform regulations from June 30, 2028, to December 31, 2030.

The 2021 Budget Act authorized a multi-year implementation of rate reform, in Welfare & Institutions Code section 4519.10. Given the complexity of rates for developmental services and the timeline to implement adjustments, recent Budget Acts provided a contracting exemption through provisional language authorizing the Department to execute service contracts related to implementation, with the Budget Act of 2025 providing this exemption through June 30, 2026.

Full implementation of rate reform took effect January 1, 2025. Additionally, Chapter 904, Statutes of 2024 (AB 2423) requires the Department to review and update the rate models posted on its website every two years beginning July 1, 2025. These updates are essential to identifying accurate, cost-based payment structures for service providers.

Updating rate models and a vast number of regulations for a variety of services supporting more than 500,000 individuals with intellectual and developmental disabilities require the continued but ultimately temporary ability to secure and maintain specialized expertise.

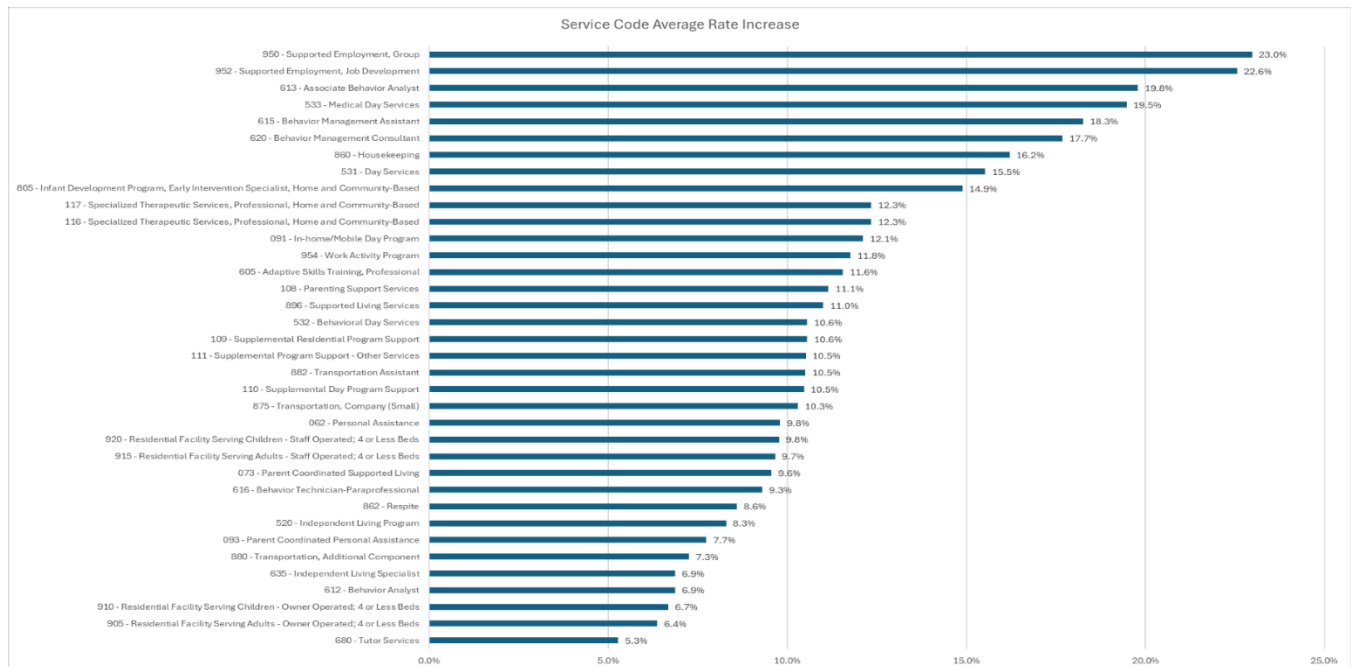
Existing law requires the Department to review and update the rate models used for payments to service providers. These cost-based rate models must be posted by January 1 every other year. Updating the rate models requires a detailed cost analysis of each service code's rate model. This process has been supported by the expertise and technical capacity of a contractor. Changing contractors at this time would cause delays and inefficiencies and lose the current contractor's specialized expertise and history with the rate models, preventing the Department from meeting the ongoing requirements. Retaining the current contractor through 2030 for rate model updates and regulations also will facilitate ongoing rate model knowledge transfer to Department staff.

Additionally, current law requires the Department to complete rate reform regulations by June 30, 2028. However, the substantial technical revisions to Title 17 regulations, the complexity of the rate models across hundreds of service codes, and the need for stakeholder engagement, require more time for the regulatory process to be completed.

**Information on Updated Rate Models from DDS.** Pursuant to Section 4519.11 of the Welfare and Institutions Code and Chapter 904, Statutes of 2024 (AB 2423), the Department posted updated rate models on January 1, 2026. These updates incorporate the most current cost components available at the time of review, including wage assumptions from the Bureau of Labor Statistics, health insurance costs from the Medical Expenditure Panel Survey, and workers' compensation rates from Workers' Compensation Insurance Rating Bureau of California. Historic cost assumptions were inflation-adjusted using the California Consumer Price Index.

The updated rate models represent a review of the final implementation rate models and do not include structural changes to service definitions or billing units. The Governor’s Budget for 2026–27 does not include funding to implement the updated rate models. Current budget provisions only authorize adjustments related to annual minimum wage changes, Internal Revenue Service mileage reimbursement and Supplemental Security Income (SSI) increases. Under Chapter 904, Statutes of 2024 (AB 2423), any future funding to implement updated rate models would require both legislative appropriation and federal funding approval.

All service codes show some increase when compared to currently published rates, with an estimated average increase of approximately 12 percent across all service codes.



**Stakeholder Feedback on Governor’s Trailer Bill Proposal**

For this Governor’s Trailer Bill Proposal on Rate Reform/Quality Incentive Program Contract Exemption, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor’s trailer bill proposal so far.

Association of Regional Center Agencies

- Supports this proposal as it would permit DDS to continue its contract with Burns and Associates at its discretion for ongoing rate model implementation work.

Disability Rights California

- Supports the proposal to extend the contract with the entity providing technical expertise on rate reform. Recommends that DDS also consult that contractor on how its rate models can

be more systematically tiered or differentiated to support people with the most intensive needs in accessing home and community-based services (HCBS).

**California Disability Services Association**

- Supports the component of this trailer bill focused on contract exemption for rate study services. Recommends prohibiting rate penalties for non-compliance with new requirements until the regulatory process is completed. Implementation challenges of the Quality Incentive Program have made it difficult for providers to meet program requirements despite good faith efforts. Urges the identification of flexibilities that honor the spirit of the law without imposing additional financial strain on an already fragile system.

**Panel**

**Questions for the Panel:**

- ◇ On the larger issue of rate reform implementation and Quality Incentive Program:
  - What is the assessment of the impacts of the three pre-qualifying requirements adopted in the 2025 Budget Act? What are the updated savings estimate for the current and budget years?
  - How many and what percentage of providers will not receive the 10 percent Quality Incentive Program (QIP) payment as a result of not meeting the requirements?
  - What are the possible adverse implications of providers not receiving the 10 percent QIP payment given workforce challenges facing the system?
  - How will the Administration assist providers in meeting the prerequisites and are issues that providers were facing with technical and administrative barriers in February being resolved? How is DDS responding to the issues that providers are raising?
  - What is the funding delta (as a total number) between what the rate study updates show for how where rates would be if they were updated and where they are today?
- ◇ On the Governor’s proposed trailer bill language:
  - Please describe the proposal and respond to the issues being raised by stakeholders.

**Panel:**

- Aaron Christian, Chief, Department of Developmental Services
- Dana Simon, Deputy Director, Department of Developmental Services
- Barry Jardini, Executive Director, California Disability Services Association
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

**Staff Recommendation:** Hold open.

**Issue 4: Governor's Trailer Bill Language Proposal on Regional Center Oversight/Fiscal Allocation Letter**

The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS proposes statutory changes to strengthen regional center governance and oversight. The proposed changes include:

1. Accountability measures that allow the Department to more effectively correct regional center performance.
2. Merging regional center base contracts with the performance contract and regional center performance measures.
3. Authorizing fiscal allocation letters to regional centers consistent with appropriations in the annual state budget.
4. Professionalizing and improving support for regional center governing boards.
5. Removing the outdated requirement that a service provider maintain a physical office location within each regional center's geographic area, unless necessary to provide a service.
6. Instructing the Department to end the practice known as "courtesy vendorization," to eliminate redundant barriers to service providers seeking to expand where they can provide services.

The Department is responsible for contracting with, funding, establishing and administering fiscal and programmatic policy, and monitoring and overseeing 21 non-profit regional centers. Each regional center has a board of directors, responsible for complying with the contract, overseeing the regional center and hiring its executive director, and other governance obligations pursuant to state and federal law and regulation. Many of these regional centers now are responsible for serving their local communities with annual budgets approaching or exceeding \$1 billion and employ hundreds of employees.

At the start of each fiscal year, the Department issues an initial contract to each regional center to provide essential funding allocations and advance funds, along with operational and programmatic terms and conditions. These contracts are approved by the Department of General Services (DGS). Additionally, Welfare and Institutions Code (WIC) section 4629 requires a separate regional center performance contract, developed with public input and other specific requirements. WIC section 4620.5, added in 2021, also established Regional Center Performance Measures, which include standard performance improvement indicators and benchmarks for regional centers. There is overlap among these three requirements, and this proposal would merge them into a single regional center contract containing terms for basic operational compliance and focused on improving the quality of life for individuals and families.

Funding allocations for regional center operations and services for individuals and families are issued periodically through contract amendments, based on factors such as, but not limited to,

actual and projected expenditures, caseload changes, and increases in costs or service rates. These amendments currently require approval by DGS, execution by the Department, and formal action by each regional center's board of directors. Providing timely allocations based upon appropriations would increase efficiency, improve fiscal estimation and uncertainty, and improve flexibility to meet emerging needs for regional centers and individuals and families.

In 2023, SB 138 required the establishment of a standardized vendorization process for service providers to become approved to deliver services. The standardized vendorization process was launched in December 2025 through the Provider Directory and is required to be used for almost all services starting March 1, 2026. While current practice permits a vendor to use their vendor number across any of the 21 regional centers, some regional centers may require the vendor to have a physical office location within each regional center as a condition of approval to offer services.

With the vendorization process now standardized and digitized through the Provider Directory, there is consistency across regional centers for all new vendorizations. Regional centers can access vendor information and provider documents from other regional centers, eliminating the need for redundant approvals. Additionally, many services can be delivered without a physical office location, which can be a costly barrier for service providers looking to start or expand services.

The proposed statutory changes would improve support and training for members of regional center governing boards; improve regional center oversight by the Department; and reduce administrative barriers for regional centers and service providers. This proposal also would improve efficiencies and timeliness in making funding accessible to regional centers for operations and service delivery.

### **Stakeholder Feedback on Governor's Trailer Bill Proposal**

For this Governor's Trailer Bill Proposal on Regional Center Oversight/Fiscal Allocation Letter, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor's trailer bill proposal so far.

#### State Council on Developmental Disabilities

- Support for many elements, including changes affecting the Consumer Advisory Committees (CAC) and ending courtesy vendorization.
- Concern about the section that restructures regional center boards to include professional expertise while reducing the threshold for members with lived experience. Proposal for amendments to retain and amend current law to provide more flexibility but retain the current requirement for 50 percent of the board be persons with developmental disabilities or their family members.
- Proposal for amendments regarding the CACs, requiring their appointment/designations of persons with developmental disabilities and family members to serve on boards. This amendment also would make clear that the people with developmental disabilities and family members serving on the governing board would serve as full voting members.

**Association of Regional Center Agencies**

- Support for the proposal to authorize DDS to make fiscal allocations to regional centers during the contract period without the involvement of the Department of General Services.
- Suggests amendments regarding “courtesy vendorization” to instead require DDS to streamline the vendorization process with the intent of removing barriers to the statewide accessibility of services, while maintaining necessary quality assurance oversight.
- Appreciates the intent to update the monetary contract amount that requires governing board approval from \$250,000 to \$363,000.
- Suggestion of comprehensive amendments related to board composition, requirements of members, and terms of service.
- Requesting amendments to provide appropriate legal support for boards, subject to an appropriation.

**Disability Rights California**

- Recommends preserving consumer and family leadership on boards while modernizing the language. Recommends preserving the existing requirement that a minimum of 50 percent of board members be people with developmental disabilities or their family members and that no less than 25 percent be people with developmental disabilities. These thresholds are important to ensure that regional center boards remain accountable to the community served and that governance reflects lived realities and service system impacts.
- Recommends ensuring that self-advocate board members can meaningfully participate in board decision-making through appropriate support and accommodations.
- Recommends rejecting language that explicitly excludes lived experience as an expertise related to developmental disability programs. Codifying that lived experience does not count sets a dangerous statutory precedent and undermines the proposals broader goals of strengthening consumer and family participation in governance.
- Recommends ensuring that boards have access to expertise, but without turning membership into a credentialing exercise. Discourages narrowing who can serve through what may be viewed as rigid credential requirements that favor traditional professional pathways and make it harder to recruit boards that reflect the community, including self-advocates and families from historically excluded groups.
- Recommends strengthening oversight requirements so that professionalization stays grounded in community outcomes. Makes recommendations regarding executive director evaluations and requirements for board review regarding language access and cultural competency activities. Would include regional center performance measures to be evaluated based in part on how strongly each regional center aligns its policies, practices, and capacity-building efforts with statewide priorities for the system is set forth by the Legislature and Administration in recent years, as well as priorities identified in the Master Plan for Developmental Services.

**California Disability Services Association**

- Supports the proposal to streamline vendorization and remove administrative barriers by eliminating courtesy vendorization and the physical location requirements for service providers.

- Recommends confirmation from DDS that regional centers will receive additional guidance outlining a consistent process for service providers operating in multiple catchment areas, with clear processes for oversight and billing to avoid any potential service disruption.

#### Disability Voices United

- Opposes the reduction in the number of board members to 10 to 15 people and the deletion of existing law that requires boards to be composed of at least 50 percent of people served and/or parents of people served. In the way that the trailer bill language is currently drafted, there could theoretically be a regional center board with no parents or family members serving on it.
- Recommends that boards should have 15-18 members, and, moreover, that the board of directors should have the authority to decide how many board members they want.
- Recommends an amendment to remove language that states that an expert have experience beyond personal or family lived experience with a developmental disability. This language could be offensive to those with the exact lived experience believed to be crucial to the understanding of the role of the regional center.
- Supports if amended language regarding the requirements for training and mandates that the training be provided or approved by the department. Recommends adding additional language to strengthen these provisions.
- Recommends language regarding the department providing support and accommodations to board members to allow them to meaningfully participate in and understand the subjects and votes at board meetings.
- Recommends maintaining language in current law that requires each regional center to post on its Internet website information regarding the training and support provided to board members.
- Recommends adding two provisions regarding antiretaliation for board members, including the adoption of an antiretaliation policy for board members and the establishment and adoption of a grievance process whereby a board member who has concerns, complaints or questions may contact a specific executive at the department.
- Opposes increasing the dollar amount of contracts voted on by board members. DDS proposes to increase the cost of contracts from \$250,000 to \$350,000 with additional increases of \$50,000 every five-year period; DDS provides no justification for this change. It is very surprising that DDS would propose this change under the heading of improving regional center oversight. The historic issue has been that board members don't understand how to analyze the contract and usually rubber stamp all contracts that appear before them. The hope is that the newly professionalized and trained boards would ask the right questions to ensure that these large contracts are providing better outcomes for the people they serve.
- Opposes the removal of language that currently restricts the number of days to 120 days that the department shall directly operate a regional center program before contracting with a new governing board. States that the restriction of 120 days was placed into statute because it was not the intention for a state department or their designee to run a regional center into perpetuity, or to potentially require payment for a long-term contract beyond 120 days.
- Supports the ending of courtesy vendorization and the removal of the requirement to have a physical location for service providers. In addition, strongly supports removing the requirement of service providers to maintain a physical location in California unless required

for their service delivery. States that this is important for financial management services (FMS) who support the Self-Determination Program.

- Suggests changes to the DDS language regarding performance measures, including insertion of a phrase for regional centers on probation that requests feedback on whether the correction plan and timeline are adequate.
- Suggests changes to make it clear that DDS has statewide standardized measures that all regional centers must meet or exceed and that boards can develop additional measures based on community input.

Integrated Community Collaborative

- Opposes the proposed changes to the regional center board of directors, as they risk silencing the voices of individuals served and their families. Replacing lived experience with “experts” reinforces the dynamics that have contributed to a system marked by bias and persistent barriers. When those most directly impacted are excluded from decision making, the system loses its accountability to the community it is meant to serve. Without this essential voice at the table, the same inequities and challenges are expected to continue.

The Arc California

- Opposes the removal of the existing requirement that ensures representation of individuals with developmental disabilities and their families on regional center governing boards. States that the current mandate is not merely procedural; it reflects a core value of our system -- that those most directly impacted by decisions should have a meaningful voice in shaping them.

**Panel**

**Questions for the Panel:**

- ◇ Please describe the Governor’s proposed trailer bill language and respond to the many issues being raised by stakeholders.
- ◇ What is the Administration’s plan to move forward, given the significant and substantial feedback from stakeholders on this proposal, to try to reach a consensus product that would be ready to adopt as part of the 2026 Budget?

**Panel:**

- Pete Cervinka, Director, Department of Developmental Services
- Vivian Haun, Senior Policy Attorney, Disability Rights California
- Judy Mark, Parent of person served by a regional center, President, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

**Staff Recommendation:** Hold open.

**Issue 5: Governor's Trailer Bill Language Proposal on Early Intervention Programs Oversight**

The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS proposes three-year, time-limited authority to issue directives to local educational agencies (LEAs) and regional centers operating early intervention programs. Additionally, the Department seeks statutory changes to reflect the discontinuation of an interagency agreement between the Department and the California Department of Education (CDE). The Department also proposes non-substantive changes that would consolidate all existing provisions related to the transition out of regional center early intervention programs at age three into a new Government Code chapter.

Part C of the Individuals with Disabilities Education Act provides federal funding for states to develop and implement early intervention programs for children from birth up to age three with developmental delays, disabilities, or conditions that place them at a high risk for disabilities. California's Early Intervention Services Act designates the Department as California's lead agency for implementing Part C, also known as Early Start, while assigning CDE responsibility for early intervention services to a specified population of eligible infants under Government Code 95007(j).

The Department receives approximately \$55 million in federal funds annually for Early Start. Historically, about \$14.2 million has been allocated to CDE through an interagency agreement to support LEAs in providing direct services to infants and toddlers with low incidence disabilities (vision, orthopedic, or hearing impairments). As of June 30, 2025, the Department and CDE mutually discontinued the agreement after a three-month extension to facilitate the transfer of CDE's oversight responsibilities to the Department.

The proposed amendments would facilitate a seamless transfer of oversight responsibilities for LEAs receiving federal grant Part C. As California's early intervention service delivery models can vary significantly between regional centers and LEAs. This change will offer an opportunity to unify and strengthen consistent practices statewide. Further, in alignment with federal guidelines, the Department aims to extend the record review process currently used with regional centers when monitoring the compliance of LEA Part C programs.

By streamlining the monitoring process, the Department aims to more effectively identify and resolve areas of non-compliance with timely and well-documented corrections. While existing statute provides broad authority to implement federal programs, statute must be amended to formally reflect the transfer of responsibilities from CDE to the Department, and to supersede regulations.

**Stakeholder Feedback on Governor’s Trailer Bill Proposal**

For this Governor’s Trailer Bill Proposal on Early Intervention Programs Oversight, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor’s trailer bill proposal so far.

State Council on Developmental Disabilities

- Supports proposal.

**Panel**

**Questions for the Panel:**

- ◇ Please describe the Governor’s proposed trailer bill language proposal.
- ◇ What vetting has DDS done with the California Department of Education and with Local Educational Agencies (LEAs) on this proposal? Is there pushback and are there concerns that need to be addressed?
- ◇ What have the discussions that DDS has been having with Special Education Local Planning Agencies (SELPA’s) and the Special Education Administrators of County Offices yielded?
- ◇ Has DDS socialized this proposal with Education and Special Education colleagues in the Legislature?
- ◇ Are there planned changes to the language given this stakeholder and government vetting?

**Panel:**

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

**Staff Comments**

The Subcommittee could request written responses to the questions raised around (1) pushback on this proposal, (2) a support and opposition list for the proposed TBL, and (3) the results of consultations with the Education and Special Education issue cohorts in both houses of the Legislature who have natural jurisdictional interest in this proposal.

**Staff Recommendation:** Hold open.

**Issue 6: Governor's Trailer Bill Language Proposal and Budget Change Proposal on Life Outcomes Improvement System (LOIS)**

The following background for this issue was provided by the Legislative Analyst's Office (LAO).

**DDS Planning IT Project to Replace Outdated Case Management, Accounting, and Reimbursement Systems.** Since 2021-22, the department has undertaken planning to modernize the IT systems used in the 21 RCs to support developmental services. RCs currently use separate and outdated IT systems for accounting and case management. The department also has a separate legacy system to claim reimbursements from the federal government. These systems date back to the 1980s, making them challenging and time-consuming for department and RC staff to use. The case management systems are also inconsistent across RCs, as some RCs have adopted various "workarounds" over time 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 is developing an IT project for a modern system that integrates accounting, reimbursement, and case management functions. The department envisions that the project, called LOIS (Life Outcomes Improvement System), will create consistency across RCs and allow consumers to view their own records electronically. DDS has completed the first two stages of the California Department of Technology's (CDT's) Project Approval Lifecycle (PAL) process, the state's IT project approval process. We provide more detail on the history of the project, including previously appropriated funding, in last year's analysis.

**Department Conducted Additional Stakeholder Outreach on LOIS Project in 2025.** DDS stated that, although it had previously conducted some discussions on desired outcomes for the project, these conversations did not adequately capture feedback from stakeholders. The department therefore undertook additional engagement in spring and summer 2025 with departmental staff, RC staff, providers, and individuals and families served. The department stated that feedback collected from RC staff and providers stressed the importance of streamlined processes, while feedback from individuals and families emphasized transparency and improved communication with RC staff. In fall 2025, the department consolidated this feedback into a set of seven themes that will guide the LOIS project moving forward. The themes include:

- Improving communication and collaboration.
- Supporting transparency and accountability.
- Centralizing information and education.
- Enhancing authorization and payment processes.
- Supporting person-centered planning and outcomes.
- Improving system accountability and usability.
- Advancing consistency across RCs.

**Project Received Limited-Term Enhanced Federal Funding.** In addition to \$5.1 million General Fund allocated for IT project planning in 2025-26, DDS also received enhanced funding from the federal government through the Advanced Planning Document (APD) process. DDS

collaborated with the Department of Health Care Services (DHCS) to submit the required application materials to the federal government. The APD process allows the state to request a 90 percent match in federal funding (rather than California’s standard 50 percent match) to design, develop, and install IT systems that enable the state to more efficiently administer Medicaid benefits. DDS is eligible to receive this support because much of the project involves Medicaid-funded services. This current round of enhanced federal funding is available to the department from June 2025 through September 2026.

**Administration Requests One-Time Funding to Continue Planning for LOIS in 2026-27.**

The Governor’s budget proposes \$5.7 million one-time General Fund to continue the PAL process for LOIS. At the time of this report, DDS was working to complete Stage 2 of the PAL process, or the Alternatives Analysis. Stage 2 requires the department to conduct market research on which IT solution could meet the project’s desired outcomes, as well as develop a financial analysis for the recommended solution. The department released a Request for Information (RFI) in November 2025 with the goal of understanding industry best practices and vendor capacity for implementation. Responses to the RFI closed on January 23, 2026. The department stated that it aims to release a Request for Proposals (RFP) in 2026-27 based upon the findings from the RFI. Additionally, DDS stated that it is working with DHCS to submit a renewed Planning Advanced Planning Document to continue enhanced federal funding beyond September 2026. Like the currently approved Planning Advanced Planning Document, this funding would similarly be limited term.

The department also proposed budget-related legislation that would direct RCs to begin initial preparations for the transition to LOIS starting in 2026-27. Specifically, the proposed legislation instructs RCs to prioritize data cleanup and limits RCs’ ability to adopt new IT systems or applications going forward (other than LOIS). The department stated that, although more time is still needed for planning and that a fully operational LOIS IT system is still a few years out, it intends to begin early preparations with RCs to make the eventual transition process smoother.

**Reasonable to Continue Planning for LOIS, but Legislative Oversight Warranted.**

Given that the department has made progress in planning LOIS, it is generally reasonable to continue the PAL process, particularly in light of the administration’s success in securing enhanced federal funding. The continuation of the planning process for LOIS with the completion of the RFI and RFP processes will ultimately result in a cost estimate for the finalized IT project. (In an earlier and now outdated version of a planning document, DDS estimated that the project would cost about \$135 million to \$180 million in total funds, excluding future maintenance and operations costs.) The completed planning documents, including the cost estimate and projected timeline to finish the project, will provide the Legislature with the information necessary to evaluate the merits of the proposed project. Given the fiscal constraints facing the state, legislative oversight of the LOIS project’s costs and progress will be particularly important. The Legislature could ask the department if, after the planning stage is complete, it intends to request enhanced federal funding for project maintenance and operations.

**Governor’s Proposal.** The following background and justification on this Governor’s trailer bill proposal was provided by the Administration. Please see the Department of Finance website

on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

This proposal will codify requirements for regional centers to facilitate the transition from their existing information technology systems to the Life Outcomes Improvement System (LOIS), upon its implementation. LOIS is a modernization initiative designed to replace the current case management and financial systems used by the Department of Developmental Services (Department) and regional centers. It will enable individuals and service providers to access information, as well as provide transparency to available services and supports.

Existing law requires regional centers to use a uniform accounting system to make sure there is continuity and standardization of accounting processes. The Uniform Fiscal System (UFS) was implemented at each regional center in 1984. The UFS interfaces with each regional center's case management system to coordinate service authorizations with invoices and payments. The Department maintains, fixes, and enhances a development copy at its headquarters office. These changes are then updated from headquarters to the regional center production copies on a coordinated schedule. Each regional center system must be updated individually.

San Diego Regional Center's case management system, known as the San Diego Information System or SANDIS, was developed in the late 1980s using the UFS platform. Over time, this system became the standard for collecting and submitting monthly data to the Department. As regional centers identified additional needs, several developed their own case management systems. All regional centers are required to submit their data to the Department via SANDIS, necessitating interfaces to transfer required data. As a result of these independent developments over the past four decades, there are now disparate data sources, resulting in poor data integrity non-standardized information across systems, and no or limited access for individuals and families and service providers.

In order to improve the user experience, data quality, and functionality for the developmental disabilities services system, a single unified case management and fiscal system is essential. LOIS is being designed to:

- Collect reliable information
- Give individuals, families, and service providers access to their information
- Improve how service coordinators do their work and how they interact with individuals and families
- Run fiscal and case management reports
- Establish and monitor fair performance expectations for regional centers
- Require regional centers to notify the department when a third-party intends to access any information regarding individuals receiving services, service provider information, or regional center information

Codifying the requirement to use one system will provide clear expectations to regional centers about the future and allow for a higher level of transparency in program monitoring and administration during the modernization process. It will also focus efforts on developing and maintaining one system rather than supporting multiple interfaces across several systems.

**Related Budget Change Proposal (BCP).** Requests in their Life Outcomes Improvement System BCP \$14.6 million (\$5.7 million General Fund) for one-year limited-term resources equivalent to 20 positions along with contract costs and resources for regional center positions related to data analysis, migration, and governance workload needed to continue the planning phase of the Project Approval Lifecycle process on the Life Outcomes Improvement System (LOIS) project.

### Stakeholder Feedback on Governor's Trailer Bill Proposal

For this Governor's Trailer Bill Proposal on Life Outcomes Improvement System, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor's trailer bill proposal so far.

#### State Council on Developmental Disabilities

- Supports proposal.

#### Association of Regional Center Agencies

- Appreciation for inclusion of user acceptance testing for the new software system before implementation to minimize workflow interruption during implementation.

#### Disability Voices United

- Supports the additional expense to develop LOIS and the associated trailer bill language that requires all regional centers to use LOIS and not use their various internal systems.
- States the importance of monitoring whether LOIS is user friendly, using plain language, culturally competent, and provides maximum transparency, especially for the sections that are forward facing to the disability community and their families.
- States the importance of easy access to written reports, service provider bills, and all correspondents for people served by regional centers and their families.
- Urges that the system have restricted access, so that only those who have permission can view details about an individual.

### Panel

#### Questions for the Panel:

- ◇ On the larger issue of LOIS design and development:
  - What are the total expected project costs for LOIS? What are the possible project costs for LOIS including future maintenance and operations?
  - After the planning stage is complete, does DDS intend to request enhanced federal funding for project maintenance and operations?

- Can DDS provide an overall project timeline and expected costs (General Fund, anticipated federal funds, and total funds) broken down by fiscal years?
- ◇ On the Governor's proposed trailer bill language:
  - Please describe the proposal and respond to the issues being raised by stakeholders.

**Panel:**

- Aaron Christian, Chief, Department of Developmental Services
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst's Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

Staff suggests that the Subcommittee request responses to the questions posed to DDS back in writing on LOIS.

**Staff Recommendation:** Hold open.

**Issue 7: Governor's Trailer Bill Language Proposal on Remote Services**

The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS proposes authorizing the continued use of remote services as an option for specified services for individuals with intellectual and developmental disabilities served by California's 21 regional centers. This proposal would codify the ability of individuals and families to select remote services when appropriate, while maintaining standards of quality, accountability, and compliance with applicable statutes and regulations.

During the COVID-19 Pandemic, the Department authorized certain services to be delivered remotely, including day programs, look-alike day programs, independent living services, behavior services, and clinical assessment services. Remote services have demonstrated effectiveness in enhancing access, equity, and choice. Remote services also provide essential continuity of care, particularly for individuals in rural areas, facing mobility or health challenges, and families balancing caregiving and employment.

There is strong support among Individuals and families to retain remote service options beyond the temporary authorization. Due to ambiguity in the statute regarding the use of remote services, this proposal provides needed clarification.

Historically, providing services remotely has expanded access to services by reducing or eliminating transportation, geographic, and health-related barriers. Remote service delivery offers a flexible option for individuals and families in underserved communities, enhancing choice and independence by allowing individuals to select the service delivery method that best aligns with their needs and supports their person-centered individual program plan. Furthermore, remote services provide a modern, sustainable service delivery option that can adapt to both emergencies and evolving individual needs.

**Stakeholder Feedback on Governor's Trailer Bill Proposal**

For this Governor's Trailer Bill Proposal on Remote Services, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor's trailer bill proposal so far.

State Council on Developmental Disabilities

- Concern that the proposal widely opens the possibility to utilize remote services for services that are better delivered in person.
- Proposal for an amendment to add "consistent with professional standards" to language.

Association of Regional Center Agencies

- Expresses appreciation for this service option, particularly to meet service needs in cases of illness, emergencies, or because individuals live in geographically dispersed communities.
- Concern because some individuals and their families have expressed a preference for more in-person options instead.
- There is limited insight into the volume of remote services being provided, so request for amendments that include requiring provider reporting on the volume of remote services provided and quality assurance protocols, including for documenting the individual’s choice to receive remote services.
- Requesting amendments to require DDS to consult with stakeholders no later than December 31, 2027, regarding rulemaking for this policy.

California Disability Services Association

- Interested in continuing to work with the Administration to explore which guardrails and guidance might be required for the permanent implementation of a remote delivery option. Among the considerations previously discussed were documentation that individuals are making the informed choice to receive remote services and that the decision was not driven by a regional center or provider.
- Additionally, discussions focused on oversight and safety of individuals who exclusively choose remote services. Occasional in-person visits or meetings may be appropriate to check for abuse, depression, or other mental health challenges that may not be as evident via remote means.

**Panel**

**Questions for the Panel:**

- ◇ Please describe the Governor’s proposed trailer bill language and respond to the issues being raised by stakeholders.
- ◇ How will DDS ensure that remote services are provided with the full choice provided to the consumer in either in-person or remote? How can the language ensure that this is a genuine, informed, and complete choice in how services are rendered?
- ◇ What tracking and data reporting on the availability of choice for in-person or remote will DDS require?
- ◇ What tracking and data reporting will DDS conduct to assess the current (and historical) percentage and volume of remote services being provided and how this could/will change over time?
- ◇ How does DDS reconcile this policy with HCBS requirements?

- ◇ Could DDS accept a time-limited adoption of a remote services policy, to be revisited, with stakeholder and Legislative consultation after a limited period of time (e.g. two years)?
- ◇ What is the Administration’s plan to move forward given the concerns being raised from stakeholders on this proposal to try to reach a consensus product that would be ready to adopt as part of the 2026 Budget?

**Panel:**

- Ernie Cruz, Deputy Director, Department of Developmental Services
- Aaron Carruthers, Executive Director, State Council on Developmental Disabilities
- Emmalynn Chaubard, Government Affairs Director, California Disability Services Association
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

**Staff Recommendation:** Hold open.

**Issue 8: Governor's Trailer Bill Language Proposal and Budget Change Proposal on Federal Access Rule and New Grievance Process**

The Governor's budget proposes \$2.1 million General Fund ongoing to implement the federal Home- and Community-Based Services (HCBS) Access Rule, which was finalized in 2024. The requested funding will support nine permanent positions at DDS in 2026-27 and ongoing. These positions had been approved for the same purpose on a limited-term basis in 2025-26. The final rule imposes a series of new requirements on states with staggered deadlines over the next several years. These requirements include establishing grievance systems for home- and community-based services, reporting on service delivery timeliness, and establishing an advisory group on rates paid to direct care workers, among other items. According to the Centers for Medicare & Medicaid Services (CMS), the final rule is intended to increase transparency and accountability, standardize data and monitoring, and create opportunities for states to promote active beneficiary engagement.

The state was originally working toward a federal deadline of July 9, 2026, however earlier this year the federal government provided more time for states to comply with the requirement for a new grievance process, until December 31, 2027. The background from DDS below was provided before the federal government extended the timeframe.

**Governor's Proposal.** The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

The Department of Developmental Services (Department) proposes a new grievance process to comply with the federal Home and Community-Based Services (HCBS) Access Rule. This proposal also will incorporate Individual Rights complaints and Citizen complaints into a single, streamlined grievance process.

In April 2024, the Centers for Medicare and Medicaid Services released the HCBS Access Rule to advance access to care, quality of care, and improve health outcomes for Medicaid beneficiaries across fee-for-service and managed care delivery systems, including HCBS programs. The Access Rule requires states to establish a grievance process by July 2026. The Access Rule mandates that states oversee a 90-day resolution process and provide a second-level review of a regional center's (RC) grievance resolution upon request of an affected individual.

The Department currently has multiple complaint processes, but none of them meet the requirements necessary to comply with the new Access Rule. The proposed grievance process will consolidate the new federally mandated grievances with the existing Citizen complaint and Individual Rights complaint processes into one streamlined process available to all individuals receiving RC services and members of the public.

Beginning July 2026, the Department is required to implement the HCBS Access Rule regulations regarding grievances. Grievances must be accepted regarding individual program

plans not being developed in a person-centered way; services in those plans not being delivered in a person-centered way; and if someone believes their residential setting is not compliant with Home- and Community-Based Services rules. For reporting purposes and to maintain oversight of RCs, grievances are proposed to be filed with the Department and then transmitted to RCs. RCs must address the grievances and record resolutions in the Department’s database. The Department will monitor compliance, provide second-level review of resolutions, and use the database to identify the need for technical assistance or corrective action.

Additionally, the Department proposes to increase accessibility, oversight, and transparency of Individual Rights complaints and Citizen complaints by sunsetting existing processes and integrating them into the new Access Rule process.

Currently, Individual Rights complaints are submitted directly to RCs or the State-Operated Facilities (SOF). RCs and SOFs must respond to complaints within 20 working days. If a complainant is dissatisfied with the RC or SOF response, they can appeal to the Department within 15 working days. The Department then reviews the complaint and issues a response within 45 calendar days.

Common topics of Individual Rights complaints include, but are not limited to:

- Individual Program Plan development and implementation
- Service coordination
- Service providers
- Individuals’ rights violations under the Lanterman Act
- Incorrect noticing
- RC compliance with response timelines

However, due to the current statutory process, insights into systemic issues are limited as only approximately 20 percent of total complaints are appealed to the Department. Most of these complaints are resolved by a commitment to train staff or take other actions that do not benefit the complaining individual.

Complaint Type	FY 22/23	FY 23/24	FY 24/25
Total Individual Rights Complaints filed with RC/SOFs	346	437	485
Total Individual Rights Appeals filed with the Department	67	76	98

The current citizen complaint process allows members of the general public to submit issues of concern to the Department. When the Department receives this type of complaint, they are either referred to RCs for resolution or addressed by the Department. There are no timeline or outcome requirements for citizen complaints.

Complaint Type	FY 22/23	FY 23/24	FY 24/25
Total Citizen's Complaints	12	11	91*

\* 70 of these 91 complaints were from families supported by a single vendor that ceased services.

DDS states that the proposal will allow all members of the public to submit complaints directly to DDS. This proposal provides the Department with an opportunity to enhance accessibility, oversight, transparency, and accountability over Individual Rights and Citizen complaints by incorporating them into the new federally mandated Access Rule grievance process. This integration will enable the Department to review all complaints, establish standardized timelines for these processes, and promote person-centered outcomes. This proposal supports state compliance with federal requirements, increases complaint accessibility, and strengthens oversight, transparency, and accountability through the required reporting and publishing of complaint information from regional centers and state-operated facilities.

Subcommittee staff shares the following chart that was drafted by Disability Rights California. The chart compares the current 4731 process to what is envisioned in the Governor’s proposal.

	<b>Current 4731 complaint</b>	<b>Proposed new grievance</b>
<b>What issues you can file on</b>	Any right that has been abused, punitively withheld, or improperly or unreasonably denied by service provider or RC	HCBS Settings Rule requirements (42 CFR section 441.301(c)(1)-(6)) <ul style="list-style-type: none"> <li>• Person-centered planning process</li> <li>• Person-centered plan (IPP)</li> <li>• Residential requirements such as restrictions on visitors, privacy violations, lockable doors, lack of community integration, or freedom from coercion and restraint</li> </ul> DD Bill of Rights (WIC section 4502, 4502.1 and 4503) <ul style="list-style-type: none"> <li>• Same legal rights as non-disabled people; no discrimination in publicly funded programs</li> <li>• Dignity, privacy, humane care, and freedom from harm</li> <li>• Right to prompt medical care and religious practices</li> <li>• Choice/control over your own life; right to accessible info</li> <li>• Rights in facilities (access to your own possessions, money, private storage, visitors, phone privacy)</li> </ul>

<b>Who can file</b>	Consumer or any representative acting on behalf of any consumer(s)	Consumer or <b>applicant</b> , or authorized representative Person who has consent of consumer/applicant Provider, unless there's a conflict of interest
<b>How to file</b>	Submitted in writing to RC director  Must allege violation of rights	Submitted to DDS, who logs it, then refers it to the RC Can be done in writing, verbally or online  Can state dissatisfaction re: <b>performance*</b> of a right or allege a violation of rights <i>*Meaning a problem can still be real and need a solution even if it doesn't technically amount to a legal violation</i>
<b>Timelines</b>	<u>RC</u> : 20 working days (about 1 mo) <u>Person/Family Served</u> : 15 working days to appeal (about 3 weeks) <u>DDS</u> : 45 calendar days to review appeal (about 1.5 mo)	<u>RC</u> : 60 calendar days + possible 14-day extension <u>Person/Family Served</u> : 7 calendar days to appeal to DDS + possible extension for good cause <u>DDS</u> : 21 calendar days to review the grievance
<b>Resolution Plans</b>	RC investigates and proposes resolution  On appeal, DDS reviews and issues "final administrative decision"	RC investigates and develops "resolution plan." May include: convening IPP team, ongoing communications with RC or provider, completion of steps in resolution plan, statement re: outcome of investigation of federal rules violations  On appeal, DDS reviews RC resolution plan for "appropriateness relative to the grievance"
<b>Reasonable assistance</b>	No specific language in 4731	Specific requirement for DDS to provide "reasonable assistance" in filing a grievance upon request
<b>Automatic access to records</b>	No specific language in 4731  May still request records via other Lanterman Act provisions	RC must provide access to the case file within 3 business days <i>plus</i> any other records relied upon in the investigation  This should happen <i>automatically</i> ; no need to request first

<p><b>Opportunity to present evidence</b></p>	<p>No specific language in 4731  In practice, RC/DDS often does not interview person making complaint</p>	<p>Person must be given “reasonable opportunity” to present evidence, testimony and arguments face-to-face, including virtually, as part of investigation</p>
<p><b>Anti-retaliation</b></p>	<p>No specific language in 4731  Other law prohibits an agency from retaliating against someone for exercising complaint rights</p>	<p>RCs/providers are specifically prohibited from “taking punitive or retaliatory actions <b>or threat of action</b> against a griever”</p>

**Related Budget Change Proposal (BCP).** In their Federal Access Rule Resources BCP, requests \$2.4 million (\$2.1 million General Fund) and 9 permanent positions in 2026-27 and ongoing to support the increased workload related to compliance with new federal Home and Community-Based Services Access Rule requirements. This request is to make permanent the temporary resources that were approved in 2025-2026.

**Stakeholder Feedback on Governor’s Trailer Bill Proposal**

For this Governor’s Trailer Bill Proposal on Federal Access Rule and New Grievance Process, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor’s trailer bill proposal so far.

Association of Regional Center Agencies

- Would support if both the implementation date were extended to February 1, 2027, to allow more time for regional center staff and community training and if funding to support regional centers’ new responsibilities in implementing the outlined grievance process is included in the enacted budget.

Disability Rights California

- Makes comprehensive suggestions to strengthen and provide more detail to the DDS proposal.
- Recommends clarification of DDS “front door” responsibilities, including screening for serious harm or risk of serious harm and helping redirect people to the correct process when DDS determines the issue belongs elsewhere.
- Recommends strengthened noticing, access to information in the course of the grievance process, and anti-retaliation protections.
- Recommends a requirement for resolution plans to include an investigation summary and citation of legal/factual bases.

- Recommends ensuring the resolution plans are reasonably calculated to meaningfully resolve the grievance and prevent recurrence. The resolution plan should require reimbursement if payments were made, or compensatory services designed to place the person in the position they would have been in, absent the violation.
- Recommends making DDS review more meaningful and enforceable, requiring DDS to issue a written decision that either affirms the resolution plan, remands it with instructions and deadlines, or orders other corrective action.
- Recommends adjusting the timelines to shorten the deadline for regional centers to issue resolution plans and extend the time for an individual to request DDS review.
- Recommends using grievance data for system oversight and distinct levels of intervention, including clearly authorizing DDS to escalate the issues when the same problems reoccur.
- Recommends keeping the scope of grievances broad and consistent with current law covering violations of “any right to which a grievance is entitled.”

#### California Disability Services Association

- Supports updating the grievance process to enhance transparency and acknowledges the timeline the state faces to comply with the Federal Access Rule. However, comments that the proposed process needs a provider notification and appeal component. Suggests the inclusion of a clear requirement to make providers involved in the grievance aware of the complaint or finding. Providers lack a clear way to resolve issues and prevent future complaints. Offers related amendments to increase transparency and effectiveness.

#### Disability Voices United

- Takes a support if amended position, suggesting that the language should require the department to issue directives with clear intent of the grievance process and should monitor implementation, including requiring data on the types of complaints and their resolutions.

#### Integrated Community Collaborative

- Expresses concern that the proposal in its current form will not work. It remains too vague and continues to place significant control with regional centers, without clear accountability or assurance of timely or meaningful outcomes. While the proposal shifts the filing of complaints to DDS and then gives regional centers a 60-day investigation timeline, many of the issues of concern that families face are immediate, personal, and cannot wait. Delays directly impact services, stability, and dignity.
- Requests that a meaningful grievance process must be safe to use. Families should not have to choose between speaking up and protecting their relationship with the regional center.
- Requests that a meaningful grievance system must be timely. Delay can mean a child goes without needed support or that a caregiver burns out. A grievance process cannot claim to protect rights while normalizing months of waiting. Strongly recommends a dual path system: one for standard investigations up to 60 days and another for urgent matters requiring rapid response from both DDS and regional center leadership.
- Requests that a meaningful grievance system must be credible. Families need to believe that their complaint will be heard by someone with enough independence, authority, and responsibility to get to the truth and require meaningful action. People will not trust a system that they feel if they feel it is simply reviewing itself.

- Requests that a meaningful grievance system must lead to real solutions; it is not enough to acknowledge a complaint and offer a resolution. The process must be able to fix problems, stop ongoing harm, require follow-through, and make clear when the regional center has to do something different. For people and their families, accountability is not abstract. It means the service starts. It means there is consideration of how to make it up to the person when they were harmed in some way because of missed services or out of pocket expenses. It means the communication improves. It means the retaliation stops. It means the problem will get fixed.
- Remarks that participation in the Master Plan for Developmental Services process last year was where there was a huge majority of stakeholders requesting true accountability. Requests help with the grievance process being proposed to make sure it is meaningful to the community. Requests help to create a system that truly works for and works better for individuals with intellectual and developmental disabilities and their families, not just for the regional centers.

**Panel****Questions for the Panel:**

- ◇ Please describe the Governor's proposed trailer bill language and respond to the many issues being raised by stakeholders.
- ◇ What is the vision and intention on "resolution" for these grievances and how will DDS assess if it is working for the benefit and positive outcomes for individuals served in the system? How consistent (or not) is this with the Master Plan for Developmental Services Workgroup 4 Recommendation: Compensatory Services Following Appeals/Complaints?
- ◇ What is the timeline for implementation planning and the cost assessment for both state DDS and regional centers. How will all these new activities be resourced?
- ◇ Has the workload for the nine positions that are being requested to be made permanent reduced significantly or is it now null and void, to allow these new positions to now be dedicated to the new grievance process? How will the state resources work to support continuing, current, and new workload?
- ◇ Now that the federal government has provided more time for states to comply with the requirement for a new grievance process (until December 31, 2027), and given the significant concerns being raised about the proposal and its implications, could the conversation on this policy formulation benefit from additional time and stakeholder consultation before adopting new statute in this area? In other words, can the work continue with an intent to adopt a new process as part of next year's budget process?
- ◇ What is the Administration's plan to move forward given the significant and substantial feedback from stakeholders on this proposal to try to reach a consensus product that would be ready to adopt as part of the 2026 Budget?

**Panel:**

- Michael McNulty, Branch Chief, Department of Developmental Services
- Katie Hornberger, Deputy Director, Department of Developmental Services
- Will Leiner, Managing Attorney, Disability Rights California
- Fernando Antonio Gomez, Parent Advocate - Founder, Integrated Community Collaborative (ICC)
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

**Staff Recommendation:** Hold open.

**Issue 9: Governor's Trailer Bill Language Proposal on Employment Access Alignment**

The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS and the Department of Rehabilitation (DOR) propose statutory changes that would give both departments authority to establish a dual provider system for individuals with intellectual or developmental disabilities (I/DD) seeking competitive integrated employment. The proposed changes would also align vendorization requirements between the two departments and remove barriers that prevent individuals from accessing employment. Further, the statutory changes would remove the requirement that habilitation service providers vendored by regional centers, referred to as employment service providers, be accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF).

State law requires individuals pursuing employment services to exhaust "generic services" and or maximize utilization of "comparable services" before receiving regional center-funded services. For employment services, DOR often is the generic service, placing the burden on individuals to navigate between regional center-funded and DOR-funded services. Some community service providers are dually approved by both departments. However, the departmental processes remain largely independent of each other. Individuals with I/DD seeking employment supports have experienced challenges related to transitioning between employment service providers when redirected between DOR and DDS, impacting and destabilizing successful employment opportunities.

Additionally, current law requires all employment service providers to be accredited by CARF. Historically, regional center-funded programs, such as day programs, provided employment-related services under different service codes that do not require accreditation. As part of the recently implemented DDS service provider rate reform, these programs are required to transition to service codes that match the services they provide. Transitioning to an employment service code requires pursuing CARF accreditation, which is a costly barrier to becoming an employment vendor.

DDS and DOR are partnering in creating a dual provider service delivery model at the local level for individuals pursuing employment services. A new framework between regional centers and vocational rehabilitation offices aims to streamline navigating program processes for individuals, thus expediting provision of employment services. Improving access to employment services will result in a reduction of barriers to employment for individuals with I/DD.

Removing the CARF accreditation requirement would encourage more vendors to provide supported employment services. Feedback from the provider community notes the costly nature (upwards of \$11,000) and time-intensive process of CARF accreditation as a major reason potential providers do not pursue vendorization for employment services. Furthermore, employment service providers are already subject to other regular oversight and monitoring

activities from DDS, regional centers, DOR, and recent Home and Community-Based Services monitoring.

For reference, a budget summary provided by DOR is included below.

**5160 Department of Rehabilitation**  
2026-27 Governor’s Budget

Program Highlights  
(Dollars in Thousands)



	FY 2025-26	FY 2026-27	Difference
<b>Vocational Rehabilitation Services</b>			
General Fund	\$76,643	\$76,762	\$119
Vending Stand Fund	\$3,361	\$3,361	-
Federal Trust Fund	\$459,302	\$461,606	\$2,304
Reimbursements	\$8,080	\$11,380	\$3,300
<b>Total, Vocational Rehabilitation Services*</b>	<b>\$547,386</b>	<b>\$553,109</b>	<b>\$5,723</b>
<b>Independent Living Services</b>			
General Fund	\$7,929	\$7,929	-
DDTP Admin Committee Fund	\$3,666	\$3,667	\$1
Federal Trust Fund	\$16,290	\$16,230	(\$60)
<b>Total, Independent Living Services</b>	<b>\$27,885</b>	<b>\$27,826</b>	<b>(\$59)</b>
<b>Total, All Programs</b>	<b>\$575,271</b>	<b>\$580,935</b>	<b>\$5,664</b>
<b>Total Funding</b>			
General Fund	\$84,572	\$84,691	\$119
DDTP Admin Committee Fund	\$3,666	\$3,667	\$1
Vending Stand Fund	\$3,361	\$3,361	-
Federal Trust Fund	\$475,592	\$477,836	\$2,244
Reimbursements	\$8,080	\$11,380	\$3,300
<b>Total, All Funds</b>	<b>\$575,271</b>	<b>\$580,935</b>	<b>\$5,664</b>
<b>Departmental Positions</b>			
Vocational Rehabilitation Services**	1,780.6	1,834.6	54.0
Independent Living Services	35.9	35.9	0
<b>Total, All Positions</b>	<b>1,816.5</b>	<b>1,870.5</b>	<b>54.0</b>

\* Includes vocational rehabilitation services for over 170,000 consumers

\*\* Administrative positions are budgeted within the Vocational Rehabilitation

**Stakeholder Feedback on Governor’s Trailer Bill Proposal**

For this Governor’s Trailer Bill Proposal on Employment Access Alignment, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor’s trailer bill proposal so far.

State Council on Developmental Disabilities

- Concern about removing the CARF accreditation requirement without some replacement in terms of standards and proposes to require the department to create standards in consultation with stakeholders.

Association of Regional Center Agencies

- While they support the removal of the CARF accreditation requirement, they express concern that additional workload related to the establishment of possible alternative standards for employment providers will fall to regional centers, without funding to support these new duties and functions.
- Supports the concept of maintaining current practice and allowing workers in Supported Living Services to receive overtime compensation when they work more than 40 hours per week. Not supporting this threatens the stability of service delivery for those served by regional centers.

Disability Rights California

- Supports this proposal for DDS to partner with DOR to create a “no wrong door” service delivery model for people with I/DD who want to get a job. The new interagency agreement would minimize service disruption by making it easier for providers to operate in and be paid by both systems, which in turn would make it easier for individuals to be supported by a single provider for the entirety of their employment journey. This intentional alignment of policies and funding streams across systems should enable providers to integrate their DOR and DDS funded services at the operational level statewide, in ways that were not previously possible.

**Panel**

**Questions for the Panel:**

- ◇ Please describe the Governor’s proposed trailer bill language and respond to the issues being raised by stakeholders.
- ◇ Can DDS please explain the timing and content of the interagency agreement and the integrated employment services system and how you will work with stakeholders toward these target dates? Can DDS provide something in writing to document this consultation and planning?
- ◇ How does this effort differ from the Employment First Office that was codified as part of the 2023 Budget? What has been done to implement the Employment First Office?
- ◇ What funding will be used for this effort at DDS and DOR?
- ◇ How will the departments measure, report, and evaluate outcomes on employment for individuals served across the two departments?

- ◇ What are the Administration’s measurable goals in this area for individuals served across the two departments?
- ◇ What does this mean for the Coordinated Career Pathways (CCP) service? What is the current status of the CCP?

**Panel:**

- Sonya Fox, Branch Chief, Department of Developmental Services
- Yang Lee, Chief, Department of Developmental Services
- Jessica Grove, Deputy Director of Vocational Rehabilitation Policy and Resource Division, Department of Rehabilitation
- Vivian Haun, Senior Policy Attorney, Disability Rights California
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

**Staff Recommendation:** Hold open.

**Issue 10: Governor’s Trailer Bill Language Proposal on Self-Determination Program Administrative Costs Funding**

**Background on the Self-Determination Program (SDP).** In October 2013, Chapter 683, Statutes of 2013 (SB 468) was signed into law to create the Self-Determination Program (SDP). SDP provides individuals and their families with more control and responsibility in choosing services and supports to help them meet the objectives in their Individual Program Plan.

Participants in the self-determination program are provided an individual budget, a fixed amount of money with which to purchase the services of their choosing. Participants then decide how to use the money in their individual budget by developing a spending plan, which identifies the services and items the participant needs.

Budget-related legislation passed in 2025 places new requirements on the way that individual budgets and how spending plans will be developed going forward, resulting in estimated General Fund savings of \$22.5 million General Fund in 2025-26 and \$45.5 million in 2026-27 and ongoing. The administration stated that these changes will improve oversight of spending in the SDP. Additionally, budget-related legislation directs DDS to develop statewide standardized processes and procedures for the self-determination program with input from the community by March 2027.

Please see the charts below from DDS on the SDP caseload and expenditures (the second chart shows a historical perspective). Projected SDP expenditures are developed using the October 2025 State Claims Data file, with expenditures through July 2025.

<b>2026-27 Governor’s Budget SDP Estimated Caseload and Expenditures<sup>1</sup></b>				
<b>Fiscal Year</b>	<b>Monthly Caseload<sup>2</sup></b>	<b>POS Expenditures</b>	<b>Federal Funds</b>	<b>General Fund</b>
<b>2025-26</b>	8,826	\$736,762,000	\$337,373,000	\$399,389,000
<b>2026-27</b>	11,526	\$969,990,000	\$383,236,000	\$586,754,000

<sup>1</sup>The table is for information only. Expenditures for this policy are fully incorporated into the caseload and utilization growth of respective categories.

<sup>2</sup>2025-26 monthly caseload is estimated/projected as of January 2026 and 2026-27 monthly caseload is estimated/projected as of January 2027.

SDP Historical Caseload and Expenditures			
Fiscal Year	Monthly Caseload	POS Expenditures	Avg Cost
2013/14*	≈100	\$2,991,307	\$29,913
2014/15*	≈100	\$2,853,491	\$28,535
2015/16*	≈100	\$3,093,650	\$30,937
2016/17*	≈100	\$3,806,634	\$38,066
2017/18*	≈100	\$4,012,225	\$40,122
2018/19**	≈100	\$4,410,438	\$44,104
2019/20	135	\$6,232,707	\$46,168
2020/21	491	\$25,228,714	\$51,382
2021/22	1,112	\$62,513,774	\$56,217
2022/23	2,374	\$158,087,481	\$66,591
2023/24***	3,954	\$333,804,295	\$84,422
2024/25***	6,146	\$581,202,444	\$94,566
2025/26 YTD***	8,872	\$393,698,022	N/A - Partial Year Data
<b>Est. 2025/26 2026/27 GB</b>	<b>8,826</b>	<b>\$736,762,000</b>	<b>\$83,476</b>
<b>Est. 2026/27 2026/27 GB</b>	<b>11,526</b>	<b>\$969,990,000</b>	<b>\$84,157</b>

\*Years with SDP Pilot Program only.

Self-Determination Senate Bill (SB) 468, Chapter 683, Statutes of 2013

\*\*2018-19 is the rollout year for statewide implementation of SDP beginning with 2,500 participants. The Department received CMS approval for federal funding of SDP on June 7, 2018.

\*\*\*February 2026 State Claims Expenditures. 2025/26 YTD expenditures reflect partial data through January 2026. Majority of claims received reflect data through December 2025.

Estimated numbers in **BOLD**.

**Governor’s Proposal.** The following background and justification on this Governor’s trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

This proposal clarifies the intent of current law that the administrative costs associated with the Self-Determination Program (SDP) be the first priority for use of “savings generated by matching

federal funds for prior SDP pilot participants.” Welfare and Institutions Code section 4685.8(f) specifies authorized uses of additional federal funds generated by former participants of the Self-Determination Pilot Projects. Current law prioritizes the use of these funds for criminal background checks and other administrative costs associated with program implementation. Additionally, after consultation with stakeholders, any remaining funds could be used to address participants’ needs, increase service access and equity, and reduce disparities.

The Department of Developmental Services estimates that approximately \$4 million General Fund annually became available when the program began to access federal matching funds through the SDP waiver. Over the past five fiscal years, the Department of Developmental Services has allocated these funds to regional centers for program administration (\$1.8 million General Fund annually), local volunteer advisory committees (LVACs) to address participant needs and promote access and equity (\$2 million General Fund annually), and the State Council on Developmental Disabilities for program implementation (\$215,000 General Fund annually for the SDP orientation).

This proposal will use the established \$4 million in General Fund savings described above to cover administrative costs for operating the SDP, to follow current law. Beginning in 2025-26 and each year thereafter, the \$2 million General Fund annually provided to LVACs will be redirected to cover administrative costs.

Although funding will no longer be provided to LVACs, they will continue to have an integral role advising regional centers and making recommendations about the SDP program and its implementation. This proposal conforms use of funding to the current law that prioritizes administrative costs of the SDP program.

**DDS Reports on Activities Regarding the SDP Pursuant to the 2025 Budget.** The 2025 Budget included trailer bill that made statutory changes with regard to the SDP program. The table below from DDS summarizes these changes, activities that have occurred since enactment, and projected next steps.

Areas Identified in Statute	Status and Timeline
<p><b>Recent Trailer Bill Changes (AB 143)</b></p> <ul style="list-style-type: none"> <li>Initial Budget Development Guidelines</li> <li>Certification of Spending Plan Guidelines</li> <li>10% movement of funds Guidelines</li> </ul>	<p><b>Completed: <a href="#">Directive Release</a></b> November 25, 2025</p> <p><b>Completed: Community Overview of Directive</b> December 12, 2026</p>
<p><b>Enrollment Via Updated SDP Orientation</b></p>	<p><b>Community Engagement Completed:</b> January 28, 2026</p> <p><b>Projected Release:</b> April 2026</p>

Areas Identified in Statute	Status and Timeline
<b>Individual Budgets</b>	<p><b>Status:</b> Department met individually with all 21 regional centers and are drafting proposal to bring to the community for input.</p> <p><b>Projected Community Engagement:</b> May 2026</p> <p><b>Projected Release:</b> July 2026</p>
<b>Financial Management Services</b>	<p><b>Community Engagement Completed:</b> February 27, 2026</p> <p><b>Projected Release:</b> May 2026</p>
<b>Spending Plans</b>	<p><b>Status:</b> Department has gathered information from SDP FMS vendors, and regional centers. Recommendations from Ombudsperson office have been received. Department is drafting proposals to bring to the community for input.</p> <p><b>Projected Community Engagement:</b> August 2026</p> <p><b>Projected Release:</b> November 2026</p>
<b>Access to Transition Supports</b>	<p><b>Status:</b> Individuals already have access to pre-transition supports from general self-directed support providers and FMS transition supports paid for by the regional center. The Department will explore if more is needed in this area later in 2026.</p> <p><b>Projected Community Engagement:</b> November 2026</p> <p><b>Projected Release:</b> February 2027</p>
<b>Cost Effective Definition</b>	<p><b>Status:</b> Department is reviewing what works and doesn't work from the current version in statute and is drafting a proposal to bring to the community for input.</p> <p><b>Projected Community Engagement:</b> May 2026</p> <p><b>Projected Release:</b> July 2027</p>

**Stakeholder Feedback on Governor's Trailer Bill Proposal**

For this Governor's Trailer Bill Proposal on Self-Determination Program Administrative Costs Funding, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor's trailer bill proposal so far.

State Council on Developmental Disabilities

- Concerns about the consequences of eliminating federal financial participation funds for local use in the Self-Determination Program. Suggests creation of a statewide grant to support creative solutions for local SDP needs.
- Concerns that the trailer bill language strikes statute that authorizes federal financial participation funds to support the Statewide Self-Determination Advisory Committee. States that DDS has reassured that the funds for this committee will continue.

Disability Voices United

- Opposes the transfer of \$2 million from local self-determination program committees to DDS operations.
- Opposes the removal of language from the original self-determination law. States that current language provides for the federal participation funds to go toward implementation of the program, including reducing racial and ethnic disparities, training independent facilitators, participants, families and service coordinator, and to offset costs at regional centers and the State Council, which convenes the statewide advisory committees.

Integrated Community Collaborative

- Opposes the proposed removal of funds dedicated to outreach through the Local Volunteer Advisory Committees (LVACs). These committees serve as a vital bridge between the system and the community, grounded in trust, cultural relevance, and direct engagement. Redirecting these funds to DDS risks weakening the effectiveness, intent, and community driven nature of LVAC efforts. This shift would distance resources from the very communities they are intended to support.

LVAC Members

- Members from multiple LVACs across the state have written requesting rejection of the proposed shift of funding as proposed in the Governor’s trailer bill language.

**Panel**

**Questions for the Panel:**

- ◇ What is the budget of the Self-Determination Program and what have been the recent trends? How much is the average amount being spent annually for participants?
- ◇ What are the characteristics of participants in the SDP?
- ◇ What have been the impacts for participants in the SDP?
- ◇ Please provide an update on the current year savings for the Self-Determination Program that was part of the 2025 Budget Act.

- ◇ Please explain how the \$45 million in General Fund savings for the Self-Determination Program is expected to be achieved in 2026-27 and ongoing. Are the savings fully expected from decreased enrollment (please explain)? Will people currently in the SDP have their individual budgets reduced?
- ◇ What is the racial and ethnic breakdown of the 8,900 participants in the SDP and what have been the trends historically since the creation of the SDP? What are efforts to achieve greater equity in the SDP?
- ◇ What will be the impacts of transferring funds from the Local Volunteer Advisory Committees (LVACs), as is proposed in the Governor’s Trailer Bill proposal? Will training and support locally be compromised, weakened, or lost under this proposal to cut \$2 million for LVACs?

**Panel:**

- Marlene Morales, Branch Chief, Department of Developmental Services
- Yang Lee, Chief, Department of Developmental Services
- Judy Mark, Parent of person served by a regional center, President, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

The Subcommittee could choose to request written feedback and responses from the Administration to the questions posed under this Issue.

**Staff Recommendation:** Hold open.

**Issue 11: Governor's Trailer Bill Language Proposal on Regional Center Supported Living Services 40-Hour Work Week**

The following background and justification on this Governor's trailer bill proposal was provided by the Administration. Please see the Department of Finance website on the [Governor's Trailer Bill Language proposals for the actual proposed language](#) for this and all trailer bill proposals from the Administration.

DDS proposes to codify that employees of regional center vendors who provide supported living services are subject to the overtime compensation requirements of California's Industrial Welfare Commission Wage Order No. 15.

The federal government has proposed restoring certain Fair Labor Standards Act exemptions that would eliminate overtime protections for direct support professionals and caregivers, including those providing supported living services funded through regional centers. Without this trailer bill proposal, this federal change could result in workforce shortages and service instability for individuals with intellectual and developmental disabilities.

The state enacted Chapter 110, Statutes of 2025, to require hours worked by an In-Home Supportive Services provider in the performance of services or travel time that exceed 40 hours in a workweek to be compensated at one and a half times the provider's hourly wage. Many supported living services providers employ and coordinate the work of people who receive payment through both programs.

Direct support professionals provide essential daily assistance that enables individuals with developmental disabilities to live safely and independently in their communities. If the proposed federal overtime exception is deemed to apply, caregiver wages would decline and turnover would increase, ultimately reducing the quality and consistency of care. Overtime protections are necessary to maintain a stable workforce, continuity of supports, and upholding person-centered community-based living. Safeguarding labor standards for caregivers directly protects the health, safety, and independence of individuals with intellectual and developmental disabilities.

Clarifying the applicable wage order requirements would provide stability for direct support professionals and caregivers potentially impacted by federal policy changes related to overtime. These protections would help retain experienced caregivers and reduce the costs associated with turnover. It also would ease payroll calculations for supported living services providers who employ people who receive payment through both programs. This proposal is consistent with the existing state budget, current law and practice, and is necessary for the same reasons as Chapter 110, Statutes of 2025.

In 2024-25, approximately 13,590 individuals received SLS. As of 2025–2026, there are approximately 1,012 SLS providers statewide.

**Stakeholder Feedback on Governor’s Trailer Bill Proposal**

For this Governor’s Trailer Bill Proposal on Regional Center Supported Living Services (SLS) 40-Hour Work Week, the Subcommittee has received the following feedback from stakeholders. This is provided as a summary representation of the feedback received on the Governor’s trailer bill proposal so far.

California Disability Services Association

- Requests an amendment to clarify the requirements for SLS employers under Wage Order Number 15. This would address labor liability for service provider organizations that employ SLS workers.

Disability Voices United

- Supports only if this is amended to include language that applies the clarification to services in “Section 4685.8 that are paid through financial management services.” This includes services similar to supported living services that are used in the Self-Determination Program.

California Community Living Network

- Supports this change to establish parity for the preservation of overtime for the Supported Living Service (SLS) workforce with protections that were adopted for In-Home Supportive Services (IHSS) workforce. Requests that the language be amended to include language that does not have the policy interfere with the personal attendant exceptions granted to workers who provide supported living services as defined in subdivision (a) under California’s Industrial Welfare Commission Wage Order Number 15.

**Panel**

**Questions for the Panel:**

- ◇ Please describe the Governor’s proposed trailer bill language and respond to the issues being raised by stakeholders.

**Panel:**

- Christine Bagley, Branch Chief, Department of Developmental Services
- Mark Melanson, Chief Executive Officer, California Community Living Network
- Karina Hendren, Fiscal and Policy Analyst, Legislative Analyst’s Office
- Omar Sanchez, Finance Budget Analyst, Department of Finance

**Staff Comments**

**Staff Recommendation:** Hold open.

## Non-Presentation Items

The following proposals do not require a formal presentation from the Administration, allowing the Subcommittee to focus time in the hearing on the most significant issues. 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.

### 4100 State Council on Developmental Disabilities (SCDD)

### 5160 Department of Rehabilitation (DOR)

#### Issue 11: Related Governor's Budget Change Proposals (BCPs)

A description of each of these proposals in the Governor's Budget is included here. Please see the [Department of Finance's website for more detailed information](#).

#### State Council on Developmental Disabilities

- Requests in their Administrative Support Resources BCP, in coordination with the California Health and Human Services Agency, \$730,000 General Fund in 2026-27 and ongoing to support an interagency agreement with the California Department of Social Services to provide contracted accounting, human resources, legal, information technology, contracts, procurement, and other management and staff services. This request includes corresponding reimbursement authority for the California Department of Social Services.

#### Department of Rehabilitation

- Requests in their Strengthening Vocational Rehabilitation Program Capacity to Serve Californians with Disabilities an increase of \$60 million in ongoing federal fund authority and 54 permanent positions to meet the increased demand for vocational rehabilitation services. The requested resources would serve individuals with disabilities and further the goals of competitive integrated employment in accordance with Chapter 339, Statutes of 2021 (SB 639). Increased resources would also advance the work of the Master Plan for Developmental Services and reduce impacts of the Order of Selection on the Vocational Rehabilitation Program.

#### Staff Comments

These proposals remain under review by the Subcommittee.

**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.