AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DR. JOAQUIN ARAMBULA, CHAIR

WEDNESDAY, MARCH 6, 2019

2:30 P.M. - STATE CAPITOL, ROOM 437
(PLEASE NOTE ROOM CHANGE)

ITEMS TO BE HEARD

NON-DISCUSSION ITEMS

LIST OF PANELISTS IN ORDER OF PRESENTATION

All panelists are asked to please be succinct and brief in their presentations (2-3 minutes is suggested) in order to facilitate the flow of the hearing. Thank you.

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: GOVERNOR'S BUDGET CHANGE PROPOSAL: MISSION-BASED REVIEW FOR VOCATIONAL REHABILITATION AND TRAUMATIC BRAIN INJURY PROGRAMS

- Joe Xavier, Director, Kathi Mowers-Moore, Deputy Director, Jon Kirkham, Deputy Director and Irene Walela, Deputy Director, Department of Rehabilitation
- Luis Bourgeois, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 2: PROVIDER RATE STUDY AND ASSOCIATED INVESTMENT PROPOSALS

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Stephen Pawlowski, Project Manager, Burns & Associates, Inc.
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymembers Jim Frazier, Chris Holden, and Devon Mathis
- Jordan Lindsey, Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Judy Mark, Disability Voices United
- Jacquie Dillard-Foss, Co-Chair of Governmental Affairs, California Supported Living Network
- Public Comment

ISSUE 3: MINIMUM WAGE ADJUSTMENTS AND AVAILABILITY OF PASS THROUGH TO ALL PROVIDERS

- Sonja Petek, Legislative Analyst's Office
- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Public Comment

ISSUE 4: SAFETY NET SERVICES: GOVERNOR'S BUDGET PROPOSALS, TRAILER BILL LANGUAGE PROPOSALS, AND ASSOCIATED ADVOCACY PROPOSALS

- Nancy Bargmann, Director, Brian Winfield, Chief Deputy Director, and Dr. Brad Backstrom, Senior Supervising Psychologist, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Catherine Blakemore, Executive Director, Disability Rights California
- Connie Lapin, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Public Comment

ISSUE 5: DEVELOPMENTAL CENTERS CLOSURES: UPDATE, GOVERNOR'S PROPOSALS, AND ASSOCIATED ADVOCACY PROPOSALS

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Norm Kramer, Acting Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymember Devon Mathis
- Public Comment

ISSUE 6: GOVERNOR'S BUDGET CHANGE PROPOSAL ON HEADQUARTERS RESTRUCTURE AND REORGANIZATION

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Katie Hornberger, Director, Office of Clients' Rights Advocacy, Disability Rights California
- Alison Morantz, Disability Voices United
- Public Comment

ISSUE 7: GOVERNOR'S BUDGET PROPOSALS RELATED TO HOME AND COMMUNITY-BASED SERVICES COMPLIANCE AND FEDERAL CLAIMS REIMBURSEMENT SYSTEM PROJECT

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Public Comment

ISSUE 8: PROPOSALS TO RESTORE REDUCTIONS MADE IN PRIOR BUDGETS: UNIFORM HOLIDAY SCHEDULE, HALF-DAY BILLING, AND SOCIAL RECREATION AND CAMP

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Jordan Lindsey, Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Judy Mark, Disability Voices United
- Public Comment

ISSUE 9: OVERSIGHT, TRANSPARENCY, AND ACCOUNTABILITY: ASSOCIATED ADVOCACY PROPOSALS

- Katie Hornberger, Director, Office of Clients' Rights Advocacy, Disability Rights California
- Alison Moranz, Disability Voices United
- Nancy Bargmann, Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ISSUE 10: DISPARITIES FUNDING UPDATE AND ADVOCACY REQUEST

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Fernando Gomez, Disability Voices United
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

There are no panels for non-discussion items, but the Chair will ask if there is any public comment for these items. If a Member of the Subcommittee wishes for a fuller discussion on any of these issues, please inform the Subcommittee staff and the Chair's office as soon as possible. Thank you.

ITEMS TO BE HEARD

5160 DEPARTMENT OF REHABILITATION

ISSUE 1: GOVERNOR'S BUDGET CHANGE PROPOSAL: MISSION-BASED REVIEW FOR VOCATIONAL REHABILITATION AND TRAUMATIC BRAIN INJURY PROGRAMS

PANEL

- Joe Xavier, Director, Kathi Mowers-Moore, Deputy Director, Jon Kirkham, Deputy Director and Irene Walela, Deputy Director, Department of Rehabilitation
- Luis Bourgeois, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

The Governor's budget proposes total spending for the Department of Rehabilitation (DOR) of $476 million ($72.5 million General Fund) for 2019-20, representing a small increase from the current year. DOR works in partnership with consumers and other stakeholders to provide services and advocacy resulting in employment, independent living, and equality for individuals with disabilities. DOR has been undergoing a "Mission-Based Review" with the Department of Finance and the Budget Change Proposal (BCP) before the Subcommittee is an outgrowth of that work.

Aside from the BCP discussed below, there are no other major changes proposed for DOR in the Governor's Budget.

GOVERNOR'S BUDGET CHANGE PROPOSAL

The Budget Change Proposal (BCP) for DOR, titled "Mission-Based Review: Vocational Rehabilitation and Traumatic Brain Injury Programs," contains three components:

- Increase Rates for Community Rehabilitation Programs (CRP). The BCP includes $3.4 million General Fund annually to increase uniform fee-for-service rates for community rehabilitation program providers.

- Information Technology Improvements. The BCP includes $1.6 million General Fund to fund IT improvements for the Vocational Rehabilitation program.

- Traumatic Brain Injury Program. The BCP includes $1.2 million General Fund annually to fund the TBI program, which has been extended through 2023-24.

CRP Provider Increases Facilitated by Shifting Use of Social Security Reimbursements. Using state funds to directly provide an increase in the uniform fee-for-service rates for CRP providers would potentially impact DOR'S Maintenance of Effort (MOE) levels. Essentially, it could lock in a higher level of state expenditures on the Vocational Rehabilitation (VR) program going forward. However, one way to address this would be to shift some of the Social Security Administration (SSA) reimbursements that are currently being used to fund ILCs to the VR program. SSA reimbursement income can be used to fund CRP rate increases since this income does not count as state match, nor does it count toward the MOE calculations. This would also have the added benefit of funneling the SSA reimbursements back into the program that generated them.

The state General Fund requested through this BCP would then be used to backfill the SSA reimbursements no longer going to the ILCs to ensure that ILC funding is maintained at current levels. This fund swap would therefore provide DOR with funding to support the increased rates without the potential unwanted side effect of increasing the state's MOE level going forward. To prevent the further loss of CRP providers, this proposal would do the following:

- Fully fund the cost of minimum wage increases paid to VR consumers. CRP providers that provide Situational Assessment or Work Adjustment services pay a minimum wage to the VR consumers as part of their services. This proposal increases the rates for those services to account for the increases to the state's minimum wage. This component costs $1.2 million of the $3.4 million total being requested in this part of the BCP.

- Increase the rate paid to CRP service providers by 10 percent. This component costs $2.2 million of the $3.4 million total being requested in this part of the BCP.

As mentioned above, the total increased cost of $3.4 million to the VR program is proposed to be funded by the reallocation of SSA reimbursement income currently budgeted for ILCs. This requires an increase of $3.4 million General Fund to be provided to the ILC program in order to maintain the current service levels. These costs are detailed in the tables on the next page, from the BCP.

Table 3: CRP Services Costs with 10% Rate Increase

VR services with Proposed Rate Increase	Service Type	2009 Rate	Average annual # of consumers served	Average annual cost of services	Cost of 10% Increase for Service Provider
Comprehensive Vocational Evaluation - per day	Daily	$180.00	2,116	$ 1,456,361	$ 1,601,997
Vocational Assessment (individual) - per hour	Hourly	$40.00	415	$ 252,766	$ 278,043
Personal, Vocational, Social Adjustment (individual) - per hour	Hourly	$40.00	800	$ 528,936	$ 581,829
Personal, Vocational, Social Adjustment (group) - per hour for 1 hr of class	Hourly	$20.00	32	$ 9,460	$ 10,406
Employment Services - Intake	Flat	$300.00	7,245	$ 1,883,693	$ 2,072,063
Employment Services - Prep	Flat	$700.00	7,530	$ 4,287,557	$ 4,716,313
Employment Services - Job Development and Placement	Flat	$700.00	7,929	$ 3,836,171	$ 4,219,788
Employment Services - Retention	Flat	$500.00	3,895	$ 1,447,962	$ 1,592,759
Communication Skills Assessment (individual) per hour	Hourly	$55.00	152	$ 46,122	$ 50,734
Communication and Language Skills Training Lvl.1 (individual) per hour	Hourly	$55.00	203	$ 599,427	$ 659,370
Communication and Language Skills Training Lvl.2 (group) per consumer per one hour group class	Hourly	$27.50	2	$ 1,540	$ 1,694
Communication and Language Skills Training Lvl.2 (group) per consumer per day for groups of 2 to 4 hours	Daily	$75.00	147	$ 1,021,849	$ 1,124,034
Communication and Language Skills Training Lvl.2 (group) per consumer per day for groups of 5 or more hours	Daily	$150.00	2	$ 4,575	$ 5,033
Independent Living Skills Training (individual) per hour	Hourly	$55.00	619	$ 834,339	$ 917,773
Independent Living Skills Training (group) per consumer per one hour group class	Hourly	$27.50	25	$ 5,161	$ 5,677
Independent Living Skills Training (group) per consumer per day for groups of 2 to 4 hours	Daily	$75.00	140	$ 148,757	$ 163,632
Independent Living Skills Training (group) per consumer per day for groups of 5 or more hours	Daily	$150.00	133	$ 238,529	$ 262,382
Orientation & Mobility - Evaluation (individual) per hour	Hourly	$55.00	271	$ 75,878	$ 83,466
Orientation & Mobility - Evaluation (group)per consumer per day for groups of 2 to 4 hours	Daily	$75.00	0	$ -	$ -
Orientation & Mobility - Evaluation (group) per consumer per day for groups of 5 or more hours	Daily	$150.00	0	$ -	$ -
Orientation & Mobility - Training (individual) per hour	Hourly	$55.00	629	$ 648,085	$ 712,893
Orientation & Mobility - Training (group) per consumer per day for groups of 2 to 4 hours	Daily	$75.00	0	$ -	$ -
Orientation & Mobility - Training (group) per consumer per day for groups of 5 or more hours	Daily	$150.00	0	$ -	$ -
Rehabilitation Technology Services- Lvl 1 - Rehabilitation Engineering / Technology Assessment / Evaluation (individual)	Hourly	$150.00	251	$ 119,522	$ 131,474
Rehabilitation Technology Services- Lvl 2 - Assistive Technology Assessments (individual)	Hourly	$80.00	380	$ 155,472	$ 171,019
Rehabilitation Technology Services- Lvl 3 -Assistive Technology Training (individual)	Hourly	$80.00	654	$ 1,560,346	$ 1,716,381
Rehabilitation Technology Services- Lvl 3 -Assistive Technology Training (group) per consumer per one hour group class	Hourly	$40.00	3	$ 2,060	$ 2,266
Rehabilitation Technology Services- Lvl 3 -Assistive Technology Training (group) per day per consumer for groups of 2 to 4 hours	Daily	$75.00	73	$ 240,964	$ 265,060
Rehabilitation Technology Services- Lvl 3 -Assistive Technology Training (group)per day per consumer per day for groups of 5 or more hours	Daily	$150.00	28	$ 10,332	$ 11,365
Occupational Skills Training Lvl.1 (group) - per day for 5+hrs	Daily	$30.00	69	$ 91,666	$ 100,832
Occupational Skills Training Lvl.2 (group) - per day for 5+hrs	Daily	$45.00	140	$ 125,348	$ 137,883
Immersion Services - Lvl 1 Residential - per day	Daily	$260.00	125	$ 1,684,103	$ 1,852,513
Immersion Services - Lvl 2 Non Residential (2-4hrs) per consumer/day	Daily	$75.00	39	$ 96,100	$ 105,710
Immersion Services - Lvl 2 Non Residential (5+hrs) per consumer/day	Daily	$150.00	68	$ 268,144	$ 294,958
Total				$ 21,681,225	$ 23,849,347
				Cost of Rate Increase	$2,168,122

Services with a Consumer Wage Component	Service Type	2009 Rate	Average annual # of consumers served	Average Annual cost of services	Cost of Minimum Wage	Cost of 10% Increase for Service Provider	New Cost for Service
Situational Assessment (individual) - per hour	Hourly	$40.00	2,767	$ 3,357,392	$503,609	$268,591	$4,129,592
Situational Assessment (group) - per day for 2-4 hrs	Daily	$55.00	2	$ 348	$52	$28	$428
Situational Assessment (group) - per day for 5+hrs	Daily	$110.00	30	$ 49,009	$7,327	$3,945	$60,281
Work Adjustment (individual) - per hour	Hourly	$40.00	377	$ 1,611,282	$241,692	$128,903	$1,981,877
Work Adjustment (group) - per day for 2-4 hrs	Daily	$55.00	31	$ 42,405	$6,340	$3,414	$52,158
Work Adjustment (group) - per day for 5+ hrs	Daily	$110.00	56	$ 164,450	$24,585	$13,238	$202,274
Total				$ 5,224,887			$6,426,610
				Cost of Rate Increase	$1,201,723		
				Total Cost of Rate Increases	$3,369,845		

Information Technology (IT) Infrastructure. DOR's funding limitations outlined above have also limited the VR program's ability to modernize its IT infrastructure. DOR currently has a total of 85 branch and district offices across the state. Most of these offices have very low Internet bandwidth for the number of employees in each office, which directly diminishes staff productivity. VR counselors and support staff are required to enter consumer information and process service delivery transactions in their case management system, AWARE, on a regular basis. In some offices, low bandwidth contributes to slower data entry and Analysis of Problem transaction processing times, which add up significantly given the volume of transactions and data entry required of DOR for each consumer. Low bandwidth also prevents staff in branch and district offices from streaming video for consumer education, staff training, and partner web meeting/collaboration purposes and from using the Skype video and screen sharing capabilities included with the state's Microsoft licenses. The BCP states that this proposal will provide the infrastructure needed to allow DOR staff to conduct their business needs and provide supports and services to DOR consumers.

Cost Area	Year 1	Year 2	Year 3
Adding Wi-Fi and increasing bandwidth in district and branch offices	$680,000	$575,000	$575,000
Cloud services and infrastructure	$200,000	$280,000	$430,000
Public-facing portal, electronic workflow, and electronic signature implementation	$750,000	$775,000	$625,000
Total:	**$1,630,000**	**$1,630,000**	**$1,630,000**

Traumatic Brain Injury (TBI) Program. The Traumatic Brain Injury (TBI) program serves individuals who have suffered a traumatic brain injury by providing post-acute care and support to those individuals and their caregivers. DOR currently funds seven TBI program sites that serve approximately 900 consumers statewide. The seven TBI program sites in California cover 20 counties and served 965 consumers with a TBI in 2017-18. Each TBI program site has historically received annual grant funds of $150,000 to provide the following five mandated services: supported living, community reintegration, vocational supportive, information and referral, and public and professional education. Welfare and Institutions Code (WIC) sections 4353-4359 establish the TBI program, and WIC section 4357 lists the required services. See the table on the following page for further TBI program information.

Table 5: TBI Program Sites and the Counties They Serve

TBI Program Site	Counties Served
FREED Center for Independent Living	Butte, Nevada, Shasta, and Yuba
Mercy Outpatient Rehabilitation Center	El Dorado, Placer, Sacramento, Sutter, Yolo
Services for Brain Injury	Alameda, San Francisco, Santa Clara
Central Coast Center for Independent Living – New Options Program	Monterey, San Benito, Santa Cruz
Jodi House	San Luis Obispo, Santa Barbara, Ventura
Independent Living Center of Southern California	Los Angeles
St. Jude Brain Injury Network	Orange

Table 6: Description of Mandated TBI Services

Mandated Service	Description	Examples
Supported Living Services	A range of training, support, and supervision to develop independent living skills where the participant resides.	Home visits, housing assessments and referrals
Community Reintegration Services	Seek to increase a participant's independent functioning with the goal of living and participating in the community.	Peer support groups, group classes, develop skill sets, transportation, personal assistance
Vocational Supportive Services	Pre-vocational and educational services for individuals who are unserved or underserved by existing vocational rehabilitation services.	Evaluations and situational assessments, assistive technology, job coaching, job application and retention skills
Information and Referral	Provide information on TBI to individuals, family members, caregivers, and service providers, including referrals to other community resources.	Field questions by email or over the phone, partnerships within the community
Public and Professional Education	Education to promote early identification of TBI, prompt referrals to TBI services, and improvement of the system of services for those with a TBI.	Presentations and training to hospitals, universities, local law enforcement agencies

The main causes of TBI are falls, motor vehicle accidents, and assaults. The most common challenges that TBI survivors face include short-term and long-term memory, cognition, organizational skills, time management, impulse control, interpersonal interactions, and mental health issues. Treatment of TBI happens in the hospital and in rehabilitation programs, with limited services available in the community. Programs that provide services to those with a TBI often use specialists familiar with TBI, such as certified brain injury specialists. The skills and experience of TBI specialists are distinct because TBI survivors must often relearn basic brain functions.

The sustainability of funding for the TBI program has been the subject of legislative and budget attention over the past several years, as dependency on funds from the State Penalty Fund did not allow for consistency year over year, resulting in the elimination of a formula-based distribution and instead adoption of isolated one-time transfers. This Governor's proposal would provide a stable General Fund source for the TBI program ongoing, until it is scheduled to sunset again in 2023-24.

For additional details on this or any BCP proposed in the Governor's Budget, please visit www.dof.ca.gov, the California Department of Finance's website.

STAFF COMMENT/QUESTIONS

For the TBI program, it appears that the program sunset in statute is an artifact of the original legislation that established the fund and does not have particular relevance for the current situation, as it seems defensible and logical that the program will exist into the future absent a new legislative action to repeal it. Thus, a question for the Administration and the Subcommittee to consider is whether action should be taken to remove the sunset completely.

Other than it being a legacy of the original legislation, does the Administration have any substantive concern with the elimination of the sunset?

Staff Recommendation:

Hold open the DOR budget pending action at the May Revision hearings.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 2: PROVIDER RATE STUDY AND ASSOCIATED INVESTMENT PROPOSALS

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Stephen Pawlowski, Project Manager, Burns & Associates, Inc.
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymembers Jim Frazier, Chris Holden, and Devon Mathis
- Jordan Lindsey, Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Judy Mark, Disability Voices United
- Jacquie Dillard-Foss, Co-Chair of Governmental Affairs, California Supported Living Network
- Public Comment

BACKGROUND

In 2016, the Legislature approved $3 million General Fund (GF) for the Department of Developmental Services (DDS) to conduct a study of service provider rates and the rate-setting process. Rates refer to the amounts paid to vendors for the services they provide to consumers. For example, vendors' rates may be a set monthly amount or a set hourly amount and may vary based on the consumers' level of need. Chapter 3 of 2016 (AB X2 1, Thurmond), called for the rate study, the statute for which is included below. DDS was provided $3 million from the General Fund to hire a contractor to conduct the study. DDS contracted with Burns & Associates, Inc. (B&A), a national health policy consulting firm, for the rate study.

The statutory requirement for release of the report to the Legislature is March 1, 2019. At the time of this writing, the Subcommittee is in receipt of communication from DDS that the formal written report will not be delivered to the Legislature on March 1 as planned. Leading up to March 1, the Department conducted rate study briefing sessions, which are available on the Burns & Associates website and include:

- A presentation outlining the rate study's methodology and results. DDS states that a webinar of this presentation and the draft rate models will be available the week of March 4th.
- Draft rate models detailing specific assumptions related to direct care worker wages, benefits, and productivity as well as mileage, program operations, overhead costs, and other factors.

- A report describing the methodologies used to establish regional cost adjustment factors.

DDS is welcoming comments on the rate study models and has posted instructions and a template, along with an FAQ about the public comment process and rate study briefings. Additional information regarding the rate study is available on both the DDS and Burns & Associates websites.

Welfare and Institutions Code Section 4519.8.

On or before March 1, 2019, the Department shall submit a rate study to the appropriate fiscal and policy committees of the Legislature, addressing the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities. The Department shall consult with stakeholders, through the developmental services task force process, in developing the study. The study shall include, but not be limited to, all of the following:

(a) An assessment of the effectiveness of the methods used to pay each category of community service provider. This assessment shall include consideration of the following factors for each category of service provider:

(1) Whether the current method of rate-setting for a service category provides an adequate supply of providers in that category, including, but not limited to, whether there is a sufficient supply of providers to enable consumers throughout the state to have a choice of providers, depending upon the nature of the service.

(2) A comparison of the estimated fiscal effects of alternative rate methodologies for each service provider category.

(3) How different rate methodologies can incentivize outcomes for consumers.

(b) An evaluation of the number and type of service codes for regional center services, including, but not limited to, recommendations for simplifying and making service codes more reflective of the level and types of services provided.

(Added by Stats. 2016, 2nd Ex. Sess., Ch. 3, Sec. 2. (AB 1 2x) Effective June 9, 2016.)

STUDY DESCRIPTION FROM DDS

DDS has provided the following update on the rate study:

Current Rate Structure. Currently, there are 150 services purchased by regional centers. Of the 150 services, 62 are covered by the rate study. The services not covered by this study are services with rates set by entities other than the Department, such as Medi- Cal and usual and customary. Within the covered 62 services, there are thousands of unique rates, which are established using one of seven different rate-setting methodologies.

Processes Undertaken to Meet ABX2 1 Requirements.

- *Detailed review of service requirements.* With B&A's assistance, DDS has undertaken a comprehensive review of service definitions.

- *Identification and analysis of 'benchmark' data.* Providers' costs generally reflect current rates rather than market-based conditions. For this reason, other data sources are used. These sources include California-specific, cross-industry wage data from the U.S. Department of Labor's Bureau of Labor Statistics, several sources that provide estimates of health insurance costs, and the Internal Revenue Services' mileage rate. This process also included a review of California-specific laws that impact providers' costs. Further, various analyses were undertaken to understand regional variability in costs associated with wages, travel, and real estate.

- *Evaluation of the number and type of service codes for regional center services.* As part of the comprehensive review of service requirements, DDS and B&A have considered options for consolidating overlapping service codes and updating regulations to strike a balance between specificity and flexibility.

Stakeholder Engagement. Consistent with the requirements of ABX2 1, there have been a series of stakeholder meetings to engage the community in the rate study process including meetings with the Developmental Services Task Force Rates Workgroup. Additionally, two data collection efforts were developed and administered to inform the rate study:

- *Provider Survey:* conducted to gather data from providers regarding the manner in which they deliver services (for example, staffing ratios, locations of service, etc.) and their costs. Nearly 1,100 organizations (out of approximately 4,500) submitted a survey. These respondents accounted for 52 percent of spending on the services covered by the survey.

- *Consumer and Family Survey:* conducted in response to requests from family representatives on the Developmental Services Task Force Rates Workgroup. The survey was developed and administered by the Human Services Research Institute (HSRI) in collaboration with an advisory group established for this purpose. The advisory group was comprised of consumers, family members, and advocates. Understanding service recipients and their families do not have detail on the cost of providing services, the survey focused on their experiences accessing and receiving services and their opinions regarding supports provided by direct care staff. The online survey was translated into 16 languages, and was posted online in the DDS website for approximately 3 weeks. More than 1,700 surveys were received, primarily from family members. While data collected from this survey is not representative of all DDS consumers or their family members due to the use of convenience sampling, it provided an opportunity for DDS consumers and their families to share their perspectives related to their services.

Draft Rate Models. The rate study developed standardized draft rate models that would require the same service provided in the same geographic area be paid the same rate. These draft rate models reflect estimated costs that providers incur to deliver services. Not all rates funded by the State are included in the rate models. The models do not include rates tied to an external methodology (e.g., rates established by Medi-Cal or that are 'usual and customary' based on what a vendor charges consumers who do not receive DDS services).

The draft rate models are intended to reflect assumptions on five key cost drivers: (1) the wage for the direct care worker, (2) the benefits package for the direct care worker, (3) the 'productivity' of the direct care worker (that is, the ratio of their billable hours to their work hours), (4) program operation costs, and (5) agency administration. Other cost drivers vary by service or location and may include staffing ratios, mileage, supervision, and facility costs. Key assumptions that broadly affect the draft rate models include state minimum wage requirements, a comprehensive benefits package for direct care workers, and the rate for administrative costs.

For each service and rate variant, a 'base' rate model is established. Then, to account for differences in wage, travel, and real estate costs across California, a draft rate model is established for each Regional Center by applying a 'multiplier' for these three cost factors, as applicable, that reflects the cost in that Regional Center in relation to the statewide value.

Public Comment Process. DDS began briefing sessions on the release of the rate study on February 25, 2019. Comments on the rate models will be accepted until at least March 22nd.

ADVOCACY PROPOSALS

The Subcommittee is in receipt of a budget proposal from **Assemblymembers Jim Frazier and Chris Holden** requesting a "down payment" on the rate study's recommendations to "address the crisis in community services, sufficiently stabilize the system, and provide a solid foundation on which to implement broader reforms." This proposal calls for an 8% across the board increase in provider rates and would cost approximately $290 million General Fund, matched by nearly $200 million in federal funds. Proponents say this increase would provide for an initial investment in the restoration of the system, and illustrate continued commitment that all Californians living with intellectual and developmental disabilities will receive the services and supports necessary to live full, integrated lives.

The Subcommittee is also in receipt of a letter from **Assemblymember Devon Mathis**, and signed by 18 additional Assemblymembers supporting this same proposal.

This proposal is also being forwarded and supported by the **Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative**, as well as **Service Employees International Union**.

Rationale for the 8%. The advocates have offered the following rationale for their request. Over the past two decades, rates for services have only been increased twice and lag far behind the increased cost of doing business. The Consumer Price Index for California has increased more than 8% since the Legislature and the Governor approved a wage and benefit pass through for direct service workers in 2016 (ABX2-1) in an effort to stabilize the system. Wage growth has increased even more dramatically at over 12 percent and is the number one cost driver for developmental services. The passage of SB 3 all but erased the expected long-term benefits of ABX2-1 as rates were not adjusted to allow providers to address compression for experienced employees. Under the current rates, service providers are unable to offer competitive wages to direct service staff, resulting in reduced hiring qualifications and risking the quality of services provided to individuals with intellectual and developmental disabilities (I/DD). Without the requested relief, there is no doubt that we will continue to ask direct service professionals to perform complex, important work for no more than the minimum wage.

Disability Voices United has written with comments on the rate study stating that the views of individuals with I/DD and family members were not adequately included. They state that any rate increase should be tied to compliance with the new Home and Community Based Services (HCBS) rules, discussed in more depth under Issue 7 of this agenda, to incent better outcomes and that any rate adjustments should allow for higher rates for higher needs individuals.

The **Association of Regional Center Agencies** has written with a parallel request for regional center operations, requesting $39.2 million General Fund. They state, “Regional centers compete with counties and state agencies for service coordination and other staff…While there are efforts underway to identify strategies for adjusting regional centers’ funding model to ensure its long-term sustainability, current fiscal pressures are leading to high rates of staff turnover and position vacancies, which get in the way of long-term, effective service coordination relationships. Providing an 8% down payment for immediate relief would provide needed stability for the coming year. The estimated fiscal impact of this proposal was calculated assuming additional funding for staff and other operations expenses (excluding rent expenses and DDS project contracts) at an overall federal reimbursement rate of 35.5%.”

LEGISLATIVE ANALYST’S OFFICE COMMENTS AND RECOMMENDATIONS

The Legislative Analyst’s Office (LAO) recently released a report titled, “The 2019-20 Budget: Analysis of the Department of Development Services Budget,” which will be referenced throughout this agenda. The report includes background on DDS rate-setting, history of rate reductions, and past efforts to restore rates, including the one-time “Bridge” $25 million General Fund ($42 million total funds) investment that was approved in the 2018 Budget.

The LAO raises the following issues and questions to consider in reading and evaluating the Rate Study Report.

First, the LAO suggests the Legislature consider how the study addressed sustainability of rates over time—particularly given the ups and downs in the state fiscal condition—and whether it considers geographic variation in costs and labor market conditions. For example, what considerations does the study make about adjusting rates in recessionary times and containing costs when necessary? Do the recommendations include ways to adjust rates for scheduled increases in the state minimum wage? Does it address local minimum wages?

The LAO also suggests the Legislature consider whether the study offers ideas for how to implement changes, such as ways to phase in rate increases, and whether it recommends approving all changes as a package or offers a menu of options. Does the study offer insights about the changes that would need to be made to the current infrastructure—such as IT changes; billing and claims processes; and communication with RCs, vendors, families, and consumers—to implement the recommended changes?

Finally, the LAO suggests that the Legislature consider how the recommendations could lead to improved quality of services for consumers. This may include suggestions for better collection and analyses of data and information about service needs and gaps.

Given the timing of the release of the rate study, the Legislature must weigh whether to approve certain changes to the DDS rate structure in the 2019-20 budget or wait to make any significant changes until further discussions take place. This trade-off will depend in large part on the nature of the recommendations and whether there are actions that can be taken right away, whether certain recommendations should be phased in or even piloted, or whether all of the recommendations require lengthier consideration.

The LAO recommends the Legislature ultimately take a number of actions to allow for effective ongoing oversight of implementation of the rate structure and establish processes for rate adjustments and overall continuous improvement to the rate structure.

Instituting a Process for Both Adjusting Rates and Containing Costs. The LAO recommends the Legislature consider how it would like to handle, statutorily, a process for adjusting rates over time as vendors' costs of doing business increase. At the same time, it should also consider how to handle, statutorily, a process for containing costs in the DDS system in tighter fiscal times. In recent experience, the types of budget solutions that have been enacted followed by attempts to restore funding have led to a situation in which the established rate-setting methods are not used. For example, although there are vendors in certain service categories that have "negotiated rates," nothing has been truly negotiated in more than ten years since median rates were implemented.

Instituting an Oversight Process. The LAO recommends the Legislature consider a process to regularly track rate-setting issues with the Administration, especially in terms of the impact of the rate structure on consumer outcomes and service gaps. In tandem with our recommendation that the Legislature require DDS to develop a plan for more systematic collection and analysis of data and information of consumers' services needs and vendor availability and capacity, we suggest the Legislature require regular briefings for legislative staff to include updates on rates, service provider capacity, and consumer outcomes. Similar quarterly briefings are currently required to inform legislative staff on the status of DC closures and related issues.

Periodic Formal Review of Rate Setting. The LAO recommends the Legislature consider requiring DDS to comprehensively review the rate structure on a regular basis—perhaps every ten years—to determine whether it is still being used as intended; whether it meets consumers' needs; and whether it needs adjustments, or wholesale changes, to adapt to the changing needs of consumers or the economy.

STAFF COMMENT/QUESTIONS

Staff recommends that the Subcommittee ascertain with the Administration when the rate study, with its fiscal implications, will be made public, and how any delay beyond early March will affect the Administration's stakeholder feedback process through March and April.

Staff recommends that the Subcommittee consider the following questions as it processes the overall design of the rate study and the feedback from stakeholders:

1. How can the work in the rate study be reviewed through a triage lens, to perhaps provide phase-in options, utilizing the feedback from the consumer community and vendors that were part of the process?

2. Are outcomes and conditions of consumers part of the methodology in the rate study, and if not, are there ways to try to imbue this quality into any new rate-setting system that might be adopted and built?

3. What planning and oversight methods and mechanisms need to be included to continue review and scrutiny over this subject into the future, considering the recommendations from the LAO?

Staff Recommendation:

Hold open all DDS budget and issues, pending action at the May Revision hearings.

ISSUE 3: MINIMUM WAGE ADJUSTMENTS AND AVAILABILITY OF PASS THROUGH TO ALL PROVIDERS

PANEL

- Sonja Petek, Legislative Analyst's Office
- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Public Comment

BACKGROUND

State Minimum Wage Increases. The Legislature has increased the state minimum wage several times over the past decade. Currently, the state minimum wage is $11 per hour for businesses with 25 or fewer employees and $12 per hour for businesses with 26 or more employees. The state minimum wage is statutorily scheduled to increase each year until it reaches $15 per hour in 2022, for the larger businesses, and in 2023 for the smaller businesses. Currently, statute allows DDS to adjust the rates paid to vendors when the adjustment is needed to bring their lowest wage staff up to the state minimum wage.

Some Local Jurisdictions Also Have Minimum Wages. Some cities and counties have enacted minimum wages that exceed the state's minimum wage. Currently, more than 20 cities, and all of Los Angeles County, have local minimum wages that exceed the state's. In 14 San Francisco Bay Area cities, the local minimum wage is already at or above $15 per hour. Nearly 40 percent of the state's population lives in areas with these higher local minimum wages. In these areas, DDS vendors must pay at least the local minimum wage. These vendors must do so, however, without any adjustment to their rate because statute generally does not provide for vendor rate adjustments in response to local minimum wage increases. To cover the cost of their minimum wage staff, vendors must make adjustments to absorb the cost, such as reducing administrative costs, staff, or program offerings. In some cases, they may shut down.

Downward Revision to Cost Estimates Associated With State Minimum Wage Increases. In each of the past two January budget proposals, DDS has had to revise downward the current-year Purchase of Services (POS) estimates, in part because the actual prior-year costs to cover state minimum wage increases had come in lower than expected. For example, in the current budget proposal, DDS has revised downward—by $144.2 million ($81.9 million General Fund)—its previously estimated costs in 2018-19 associated with the January 1, 2018 and January 1, 2019 minimum wage increases, based on actual expenditures from 2017-18.

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

The LAO recommends the Legislature revisit a rate adjustment quirk that disallows service providers in areas with local minimum wages that are higher than the state minimum wage from applying for rate adjustments the state provides for increases in state minimum wage.

The Way DDS Has Interpreted Statute Has Perhaps Led to Unintended Consequences, Namely a Rate Adjustment Quirk. While it is not certain, the downward revision in minimum wage-related spending is likely due in large part to a quirk in the implementation of the statutory policy that guides rate adjustments. Specifically, vendors in areas with a local minimum wage that is higher than the state minimum wage are unable to benefit from the rate adjustments for state minimum wage increases that vendors in lower-cost areas benefit from. Vendors in jurisdictions with a higher local minimum wage are therefore both (1) ineligible for rate adjustments due to local minimum wage increases, and (2) also considered ineligible for any of the rate adjustments due to state minimum wage increases. They are considered ineligible for the state increases because they already pay their minimum wage workers a wage that is higher than the state minimum wage (even though they received no rate adjustment to pay these higher wages). In contrast, vendors providing the same service in another part of the state, but who are not subject to a local minimum wage requirement, can seek an adjustment per state policy for their minimum wage workers.

To see how this plays out, consider a vendor in San Francisco (which has had a local minimum wage above the state minimum wage since 2014). This vendor cannot request an adjustment to cover the local minimum wage costs. It also cannot seek any adjustment when the state minimum wage goes up because it already pays its lowest wage staff more than the state minimum wage. This means it may still operate with the rate it had before 2014, whereas a vendor in Modesto (which does not have a local minimum wage) would have been able to request an adjustment each of the five times the state minimum wage has increased since 2014. Not only does the vendor in San Francisco have to pay higher wages to its minimum wage staff (currently $15 per hour), but it cannot benefit from any of the adjustments, due to changes in state policy, that are afforded vendors in other areas of the state without local minimum wages.

LAO Recommendation. Given the information presented above, the Legislature may wish to clarify what it intended when it authorized DDS vendors to seek rate adjustments. For example, the state minimum wage is scheduled to increase on January 1, 2020, from $12 per hour to $13 per hour for large employers and from $11 per hour to $12 per hour for small employers. Does the Legislature want to allow a vendor in San Francisco paying the local minimum wage of $15 per hour to seek a rate adjustment to account for the $1 increase in the state minimum wage to partially offset its costs, as it allows a vendor in Modesto (paying the state minimum wage) to do? If so, we recommend statutory clean up to clarify that vendors in areas with a local minimum wage that is higher than the state minimum wage can seek an adjustment related specifically to the increase in the state minimum wage. The LAO recommends the Legislature direct DDS to report at budget hearings about the estimated

2019-20 General Fund cost to allow all vendors in the state to seek an adjustment related to the scheduled January 1, 2020 minimum wage increase.

STAFF COMMENT/QUESTIONS

Staff recommends that the Subcommittee request a fiscal estimate of the cost of the statutory clean-up pursuant to the LAO recommendation regarding the minimum wage, provided to the Subcommittee by a date certain. Staff suggests that this date be April 1, 2019 at the latest.

Staff Recommendation:

Hold open.

ISSUE 4: SAFETY NET SERVICES: GOVERNOR'S BUDGET PROPOSALS, TRAILER BILL LANGUAGE PROPOSALS, AND ASSOCIATED ADVOCACY PROPOSALS

PANEL

- Nancy Bargmann, Director, Brian Winfield, Chief Deputy Director, and Dr. Brad Backstrom, Senior Supervising Psychologist, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Catherine Blakemore, Executive Director, Disability Rights California
- Connie Lapin, Disability Voices United
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Public Comment

BACKGROUND

For consumers with complex behavioral needs or who are at risk of, or currently in, crisis, DDS, together with RCs, has been developing a variety of community-based resources to serve as a safety net for these consumers when regular homes and/or services cannot meet their needs.

DDS operates these certain "safety net" services, using state staff, in community settings for consumers in crisis. The system-wide safety net plan also includes some vendor-operated services. The DDS-operated safety net system includes two mobile crisis teams (one in Northern California and one in Southern California), which currently accept referrals from five of 21 RCs, as well as two acute crisis facilities, which each can house five consumers. By the end of 2019, DDS expects to have a total of five acute crisis homes (with 24 total beds) up and running. Because vendors cannot be required to serve a consumer, having some services run by DDS state staff essentially provides a "last resort" option for consumers with especially challenging needs.

DDS requests $21 million ($20.8 million General Fund) to increase the number of safety net homes and crisis services. The proposal includes expanding the safety net to the Central Valley, as well as to children and adolescents.

GOVERNOR'S SAFETY NET SERVICES EXPANSION PROPOSAL

The Governor's budget proposes to enhance the DDS system of crisis and safety net services at a cost of $21 million ($20.8 million General Fund). The figure below shows the current and proposed capacity in safety net and crisis homes.

Safety Net and Crisis Home Capacity

For Individuals With Developmental Disabilities

Consumer Need	Operated by	Already Open		In Development		Proposed in 2019-20		Total When Complete	
		Homes	Beds	Homes	Beds	Homes	Beds	Homes	Beds
Adult									
Needs intensive behavioral supports	Vendor	22	81	7	39	—	—	28	120
In crisis	Vendor	4	16	13	54	—	—	17	70
	DDS	3[a]	20[a]	4	20	2	10	7[b]	40[b]
Transitioning from PDC-STP	Vendor	—	—	3	12	—	—	3	12
Transitioning from IMD	Vendor	—	—	4	16	—	—	4	16
Child/Adolescent									
Needs intensive behavioral supports	Vendor	2	6	—	—	—	—	2	6
In crisis	Vendor	—	—	—	—	3	12	3	12
	DDS	—	—	1	4	—	—	1	4
Totals		**31**	**117**	**32**	**145**	**5**	**22**	**66**	**280**

[a]Two of the three crisis facilities currently run by DDS are based at developmental centers and will be replaced by homes currently in development. The third refers to the ten beds available at Canyon Springs Community Facility.

[b]Per 2018 statute, DDS now dedicates ten of Canyon Springs Community Facility's 63 beds for crisis services.

PDC-STP = Porterville Developmental Center-Secure Treatment Program; IMD = Institution for Mental Disease; and DDS = Department of Developmental Services.

The proposed safety net enhancements include the following components:

- *Central Valley Crisis Homes—$4.5 Million ($4.2 Million General Fund).* Adding two DDS-operated crisis homes and 60 state positions in the Central Valley. Each home could serve five consumers. DDS indicates these homes may be located in Porterville on or near the Porterville DC property.

- *Central Valley Mobile Crisis Team—$800,000 ($600,000 General Fund) Ongoing.* Adding a third DDS-run mobile crisis team comprised of five state positions. The purpose of the mobile team is to attempt to stabilize consumers in crisis and try to keep them in their homes.

- *State Staff for a Crisis Unit in Vacaville—$3.2 Million ($2.6 Million General Fund) Ongoing.* Adding 26.5 state positions to staff a third DDS-operated crisis unit in Vacaville in Northern California that is scheduled to open in the fall of 2019.

- *Support Staff for Existing Safety Net Services—$3.2 Million ($2.6 Million General Fund) Ongoing.* Adding 9.1 positions to provide oversight and support to DDS-operated safety net homes and mobile crisis services.

- *Crisis Homes for Children—$4.5 Million General Fund.* Developing three community crisis homes specifically for children that would be run by vendors. Current crisis homes, which provide temporary stabilization for up to 18 months, are statutorily for adults only. This proposal includes trailer bill language governing the placement of children in these homes. All trailer bill language being proposed as part of the Governor's Budget is available at the DOF website, www.dof.ca.gov.

- *Monitoring of Specialized Homes—$5.5 Million ($3.7 Million General Fund) Ongoing.* Increasing monitoring of specialized homes by RC staff. Several new and specialized home models have been developed in recent years: adult residential facilities for persons with special health needs, enhanced behavioral supports homes, and community crisis homes. Increased monitoring would not only help ensure consumer safety, but it would also help ensure that DDS continues to collect federal funding (through reimbursements) by staying in compliance with federal Medicaid rules. This proposal includes related trailer bill language.

- *Lowering Caseload Ratios for Consumers With Complex Needs—$3.8 Million ($2.6 Million General Fund) Ongoing.* Adding RC service coordinator positions and establishing a lower 1-to-25 service coordinator-to-consumer caseload ratio for consumers with complex needs. Under current law, there are several service coordinator-to-consumer ratios with which RCs must comply, such as 1-to-62 for consumers receiving Medicaid waiver funding. DDS estimates this proposal would allow for intensive service coordination for about 1,200 consumers at any one time. The intensive service coordination would be provided on a temporary basis until a consumer is stabilized, after which he or she would resume working with his or her regular service coordinator.

ADVOCACY PROPOSALS

Disability Rights California writes with the following proposals:

DRC proposes to increase mobile crisis team services by: (1) requiring all regional centers to have mobile crisis services to ensure that consumers are able to remain in the least restrictive environment; and, (2) requiring each regional center to develop and post on its website a directory of available crisis intervention services including mobile crisis services, emergency housing behavioral intervention and behavioral respite. DRC states that the limited fiscal data in the DDS report suggests that the median monthly contract for crisis services is $50,000 a month or $600,000 annually per regional center. These costs are eligible for federal financial participation (FFP), or a federal match. The cost of these services would only be for regional centers that do not currently contract with a mobile services provider, and the cost of these services would be offset by reduced admissions to institutions and other restrictive settings. By comparison, the cost of admission to an Institution for Mental Disease (IMD) which some regional centers in the report inappropriately identify as their mobile crisis capacity, is $1,250 a day, or $456,250 a year per consumer. IMD services generally are not eligible for FFP.

DRC proposes providing $5 million in additional funding for locally developed pilot programs to improve safety net services for individuals at risk of institutionalization by allowing development of pilots that increase coordination of services between regional centers, local county departments of mental health, and other appropriate county agencies. DRC estimates an average of $750,000 for seven regional centers to develop pilot programs. "DDS suggested that this could be managed within current CCP funds. We are open to this approach provided that DDS identifies this as a specific priority within CCP. At a minimum, we believe the process for approving these pilots can be managed within the CPP process and therefore should not require any significant other administrative costs."

DRC proposes increased oversight of IMD admissions and length of stays by: (1) aligning the IMD admission standards to the admission standards for the state-operated acute crisis units; (2) allowing the CRA to file writs of habeas corpus to secure community placement; and, (3) requiring DDS to approve placement extensions in 30-day, rather than 90-day, intervals. "Last year DDS estimated the cost at $167 for 1 FTE psychologist. DDS's budget proposals include staff increases. We believe this could be absorbed within those increases either on the safety net or reorganization side."

DRC proposes improved assessment processes for individuals in crisis or living in restrictive living arrangements by: (1) requiring regional centers to refer consumers to the Regional Resource Development Program for assessment when their community placement is at risk of failing; and, (2) ensuring that all regional center comprehensive assessments for individuals living in restrictive settings are followed up with an IPP meeting to ensure that services and supports needed to return the individual to the community are identified and timely developed. "DRC does not believe there are any significant costs and that costs could be offset by maintaining individuals in their current community living arrangements through supports identified in the RRDP assessment rather than placement in an institutional setting such as an IMD. Requiring the regional center to hold an IPP meeting following a comprehensive assessment ensures that community services are provided rather than institutional placement."

DRC proposes to enhance access to advocacy services from the OCRA by requiring regional centers to provide notification to Clients' Rights Advocates when individuals are placed on involuntary psychiatric holds or conservatorship under the Lanterman-Petris Short Act, or when civil commitment proceedings pursuant to Welfare and Institutions Code section 6500 are initiated. "[DRC does] not believe there are any significant costs for providing this notice for a relatively small number of consumers, which we estimate to be approximately 200 individuals a year."

DRC proposes to minimize the risk of restraint in community crisis homes by requiring DDS to develop guidelines for the use of restraint in these settings, similar to the well-received guidelines DDS developed to minimize restraint usage in Enhanced Behavioral Support Homes. As recent news reports have highlighted, the use of restraints is traumatizing and can result in death. "[DRC believes] development of these guidelines are absorbable within the additional staffing identified in DDS reorganization. Based on initial conversations with DDS supports the development of these guidelines and it may be possible that they are willing to develop of guidelines without the need for legislation action as they were for EBSH homes."

The **Association of Regional Center Agencies (ARCA)** requests funding of $34.5 million General Fund to address the remaining service coordination shortfall. They state, "Many portions of the Core Staffing Formula, which is the primary mechanism through which regional center service coordination and support services are funded, have been untouched since 1991, with the vast majority of budgeted service coordination salaries remaining stagnant in the last fifteen years. This has led to a shortage of service coordinators needed to meet statutory requirements that are tied to significant federal funding. In March 2018, the shortfall was 624 service coordinators statewide. Estimates were based on funding these critically-needed individual and family supports at the more realistic levels assumed in a proposed policy initiative in the Governor's Budget, state salaries for appropriate supervision, and a 37% federal reimbursement rate. It is notable that the service coordination shortfall levels will be updated in March 2019."

ARCA also requests funding to realign assumed employment costs, which they estimate to cost $117.5 million General Fund. "The Governor's Budget includes a proposed policy initiative that would provide funding for approximately 50 service coordinators total statewide to support no more than 25 people each with the most challenging needs. The estimated costs for each position include $55,000 annual salary, 34% benefit rate, and no anticipated salary savings. These costs are more representative of the true costs of employing service coordinators statewide than those in the current Core Staffing Formula. Updating costs for the 5,857 case-carrying service coordinators proposed in the FY 2019-20 Budget would allow individuals and families to access needed service coordination and enable regional centers to redirect resources to other critical functions such as resource development, quality assurance, and risk mitigation. For this item, a 37% federal reimbursement rate was assumed."

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

Beyond the current proposal, the LAO recommends the Legislature require DDS to submit a revised safety net plan with the 2020-21 budget proposal that provides more detailed information on the determination of future safety net expansion, based on information about consumer needs and demand.

LAO Assessment. From the LAO: It is difficult to assess the current plan to expand safety net services because the Department lacks good recent data and statistics about demand for such services, including information about where demand is most critical and what types of services are needed most. DDS relies primarily on qualitative information it has collected through its work with the Developmental Services Taskforce (specifically the Workgroup on Community Supports and Safety Net Services)—a group of RC, advocate, family member, and consumer representatives—and through stakeholder meetings held in 2018 in Napa, Visalia, and Pomona. These conversations and meetings have revealed important information about the need for safety net resources and well-trained, responsive service providers who can intervene when a consumer is about to be in, or is in, a crisis. Nevertheless, it remains difficult to know whether the current number and proposed network of supports is adequate, more than adequate, or not adequate. It is also difficult to understand how the department makes its decisions about the number of homes to build, how to ramp up services, and when to ramp up services.

Regarding the proposed placement of new crisis homes in Porterville, we have concerns about placing a statewide resource in such a remote location, although we recognize the benefits of this location due to the current availability of well-trained staff (because of the closure of the general treatment area at Porterville DC) and proximity to the secure treatment program at Porterville DC (which could act as back-up). Very few community-based consumers live near Porterville and we have concerns about hiring and retaining quality staff at this location in the future. Although Porterville College currently offers degrees and certificates in relevant fields—psychiatric technology and registered nursing—many of the program's graduates end up working for the Department of State Hospitals or the Department of Corrections and Rehabilitation; it is unclear how many of those graduates would stay and work for DDS in the Porterville area.

Regarding the proposed additional monitoring of specialized homes by RC staff, we recognize the importance of this function, both in terms of ensuring quality services for consumers as well as ensuring continued receipt of federal funding when applicable.

Regarding the proposed caseload ratio of 1 service coordinator to 25 consumers with complex needs, we note that the proposal only partially addresses other RC caseload ratios that are often out of compliance with state statute and agreements with the federal government. The Department was unable to provide the most recent caseload ratio data, but as of March 2017, only 1 of 21 RCs was in compliance with all of the various caseload ratio requirements. Although the current proposal may shift some of the complex cases off regular service coordinator caseloads, and importantly targets resources at the consumers with the most challenging, time-consuming, and complicated needs, it most likely does not go far enough to improve regular caseload ratios. We raise concerns that the other consumers lack the time and attention of service coordinators to receive the support they need and that is stipulated in statute.

LAO Recommendation. On the Governor's budget proposal, it is likely that additional safety net resources are needed in the DDS community for consumers with complex behavioral needs and for consumers in crisis to justify a budget augmentation for this purpose. However, whether the specific number of resources proposed by DDS is the right number for near-term demand is less clear given the lack of back-up data in the proposal providing a comprehensive assessment of consumer demand and service gaps. We recommend approval of the proposals to increase monitoring of specialized homes and to lower caseload ratios for consumers with specialized needs. We recommend considering other locations in the Central Valley besides Porterville for the new state-run crisis homes, keeping consumer convenience, future demand, and future availability of quality workforce in mind.

Regarding future planning for crisis and safety net needs, we recommend the Legislature require DDS revise its overall safety net plan (the first version was released in May 2017) and include more quantifiable information about the use of and demand for crisis and safety net services, including information about what DDS and RCs are each doing specifically to prevent potential crises from escalating to the point of needing state-run services or out-of-home placement. We suggest DDS be required to submit a revised plan with the 2020-21 Governor's budget proposal that would include information about how DDS will determine when a new home or service is needed. This plan could include information about how DDS would answer some of the following questions—even if it does not have all of the answers ready by next January:

- Do consumers need more support in their homes? What would this look like?
- Do consumers need more temporary crisis homes? If so, what additional capacity is needed, and where?
- Are most crises behavioral? What types of interventions have been successful in preventing potential crises from escalating?
- Do consumers need additional ongoing mental health services or behavioral supports? In what form?
- Do families need more training on how to handle crises and access available resources?
- What markers indicate that crises could develop? Are there things that could be done or training programs that could be developed and implemented to identify these markers and provide the necessary supports to prevent crises from occurring?

STAFF COMMENT/QUESTIONS

Staff agrees with the LAO that there is a lack of data to comprehensively assess the demand for these services. Staff suggests that the LAO be asked to work with DDS and DOF to formulate what criteria could be adopted in budget trailer bill this year to begin to frame the parameters of data that can reasonably be expected to be collected on a consistent and thorough basis across the state. This effort would begin to provide the foundation for Safety Net "mapping" that could inform to what degree these services are addressing the most difficult to serve and vulnerable consumers in need of holistic services, and to what degree there is unmet need, where it is located geographically, and at what phase of acuity.

Staff also recommend asking the Administration to consider a commitment to be made as part of the 2019 Budget that prescribes the creation of a new Safety Net Plan, that could be submitted as part of the introduction of the Governor's Budget in January 2020.

Lastly, staff recommends that the advocacy requests raised under this item continue to be fleshed out to assess costs (on a technical assistance basis), do-ability for institutional stakeholders, and to unearth any issues of complication of which parties might not yet be aware. This effort is toward the quick development of options for appropriate consideration as we build toward the enacted 2019 Budget.

Staff Recommendation:

Hold open.

ISSUE 5: DEVELOPMENTAL CENTERS CLOSURES: UPDATE, GOVERNOR'S PROPOSALS, AND ASSOCIATED ADVOCACY PROPOSALS

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Norm Kramer, Acting Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Assemblymember Devon Mathis
- Public Comment

BACKGROUND

DDS expects the population at DCs to decline to 323 consumers by July 1, 2019. While DDS operated as many as seven large institutions called Developmental Centers (DCs) in the past, the Administration and the Legislature made the decision in 2015 to close the three remaining DCs. DDS closed one DC in December 2018 and expects to close the other two, which currently serve fewer than a total of 150 consumers, by December 2019.

DDS will continue to indefinitely operate the secure treatment program at Porterville DC, which serves up to 211 individuals with developmental disabilities who have been committed by a court because they are a safety risk to themselves or others and/or have been deemed incompetent to stand trial for an alleged criminal offense. DDS will also continue to operate Canyon Springs Community Facility, which serves a maximum of 63 consumers who typically need transitional services, such as when they are moving from the secure treatment program at Porterville DC, but before they are ready for a permanent residence. Legislation passed in 2018 dedicates 10 of the 63 slots to consumers in crisis.

DC CLOSURE UPDATE

DDS successfully completed the closure of Sonoma DC in December 2018 and expects to have moved the last residents from Fairview DC and the general treatment area of Porterville DC by the end of 2019. Each DC goes through a period of "warm shutdown"—typically about six months—after residents have moved. DDS is still responsible for maintaining and securing the property during warm shutdown, before it has given responsibility for the property over to the Department of General Services (DGS).

GOVERNOR'S BUDGET AND USE OF PROPERTY POST-CLOSURES

The Governor's budget does not include any information about DDS's and DGS's plans for each of the state-owned DC properties after final closures. It appears that DDS will not declare Sonoma DC property surplus, meaning it will not go through the typical DGS process of disposing of state properties, and is working closely with DGS and the local government to determine the future of the property. DDS has also indicated that the Fairview DC property would not be declared surplus until at least 2020-21. The Fairview property also includes two DDS-run crisis homes, an apartment development called Harbor Village, which includes some residences for DDS consumers, and will include a second apartment development, which will also include some units for DDS consumers. None of these developments or the crisis homes will be affected by the disposition of the property. There are fewer options for the future of the general treatment area at Porterville DC given its less populated location and its shared infrastructure with, and proximity to, the secure treatment program.

ADVOCACY PROPOSALS

The Subcommittee is in receipt of a letter from **Assemblymember Devon Mathis** and signed by 18 additional Assemblymembers, stating that they "continue to argue that all savings from the closures of the Developmental Centers (DCs), and any additional revenue generated from the sale or reuse of those facilities or lands should be put back towards this population. DCs cost upwards of $350 million per year to operate, and the LAO scores as much as $100 million per year of savings from their closure – and more could be available through the sale or reuse of the properties. Even if none of that money were available immediately, the Legislature could commit general revenues temporarily and borrow against potential future savings."

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

LAO Recommendation. The Legislature might wish to weigh in on decisions about the state-owned properties. The LAO recommends that the Legislature direct DDS to provide more information at budget hearings on the status of the administration's decisions about the future of the DC properties so the Legislature can better understand what role it might play.

The LAO report cited by Assemblymember Mathis is "Sequestering Savings from the Closure of Developmental Centers" and is available at the LAO's website, www.lao.ca.gov.

STAFF COMMENT/QUESTIONS

Staff recommends that the Subcommittee request responses at the hearing about the planning for any and all of the properties formerly occupied by the Developmental Centers. In order to facilitate a better understanding of this subject, the Subcommittee may wish to ask for this information in writing by April 1, 2019 at the latest, with distribution to the LAO as well.

Staff Recommendation:

Hold open.

ISSUE 6: GOVERNOR'S BUDGET CHANGE PROPOSAL ON HEADQUARTERS RESTRUCTURE AND REORGANIZATION

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Katie Hornberger, Director, Office of Clients' Rights Advocacy, Disability Rights California
- Alison Morantz, Disability Voices United
- Public Comment

BACKGROUND

Currently, DDS is divided into two main divisions. One handles community services, including oversight of RCs. The other handles DCs and other state-operated facilities. The DCs division includes the positions that work at the DCs and other state-operated facilities, providing direct services to consumers or maintaining facilities.

At its Sacramento headquarters, DDS also has an administration division, an IT division, and five different offices handling legal affairs, human rights and advocacy, legislation, communications, and emergency preparedness. In addition to the department director, DDS has traditionally had one chief deputy director. Before his departure, Governor Brown appointed a second chief deputy director in December 2018 who will play a key role in the newly proposed departmental structure, overseeing Program Services.

GOVERNOR'S PROPOSAL

The Governor's budget proposes $8.1 million ($6.5 million General Fund) and 54 new permanent positions (as well as three-year, limited-term funding for three positions related to implementation of new federal rules) to reorganize and restructure DDS to better reflect current models of service delivery and enhance fiscal and programmatic oversight.

The current proposal would dissolve the DCs division and reorganize DDS functions, including some of the former DC division's functions, into two main areas, as described below and depicted in the figure below from the LAO, each of which would be overseen by a chief deputy director.

"Program Services" Would Handle Functions Associated With Consumer Services. Program Services would include the personnel that manage, and activities that concern, all of the services and supports delivered to consumers. This would include divisions for community

services, state-run facilities, and federal programs (a new division). It would also include an office for statewide clinical services and monitoring (a new office).

"Operations" Would Handle Administrative, Legal, and Clients' Rights Functions. Operations would cover what could be considered primarily administrative functions for all DDS programs. It would include offices for quality assurance and risk management (a new office), legal affairs, human rights and advocacy, and protective services. It would consolidate several functions into a new office of legislation, regulations, and public affairs. It would include an administration division and a restructured IT division, and it includes emergency preparedness/coordination functions.

Proposed Reorganization and Restructuring of the Department of Developmental Services

Program Services

Community Services Division
- Office of Community Operations
- Appeals and Complaints
- Office of Community Development
- Disparities/Service Equity Section

Office of Statewide Clinical Services and Monitoring[a]

Federal Programs Division[a]
- Self Determination and Home- and Community-Based Services
- Monitoring and Family Services
- Program Operations

State-Operated Facilities Division
- Porterville Developmental Center
- Fairview Developmental Center
- Canyon Springs Community Facility
- STAR Homes and CAST
- Support Services
- Community State Staff
- Quality Assessment and Risk Management
- Regional Resource Development Projects, Transition and Support Services

Operations

Office of Quality Assurance and Risk Management[a]

Office of Legal Affairs

Office of Legislation, Regulations and Public Affairs[a]

Emergency Preparedness and Coordination

Office of Human Rights and Advocacy Services

Office of Protective Services

Administration Division
- Financial Services Branch
- Fiscal Forecasting Branch
- Human Resources and Support Services Branch
- Research, Audits and Evaluation Branch

Information Technology Division
- IT Operations Branch
- Technology Business Management Offices
- Information Security Office
- Enterprise Data Operations Office

[a] New office or division.

STAR = Stabilization, Training, Assistance, and Reintegration; CAST = Crisis, Assessment, Stabilization Teams; and IT = information technology.

LAO

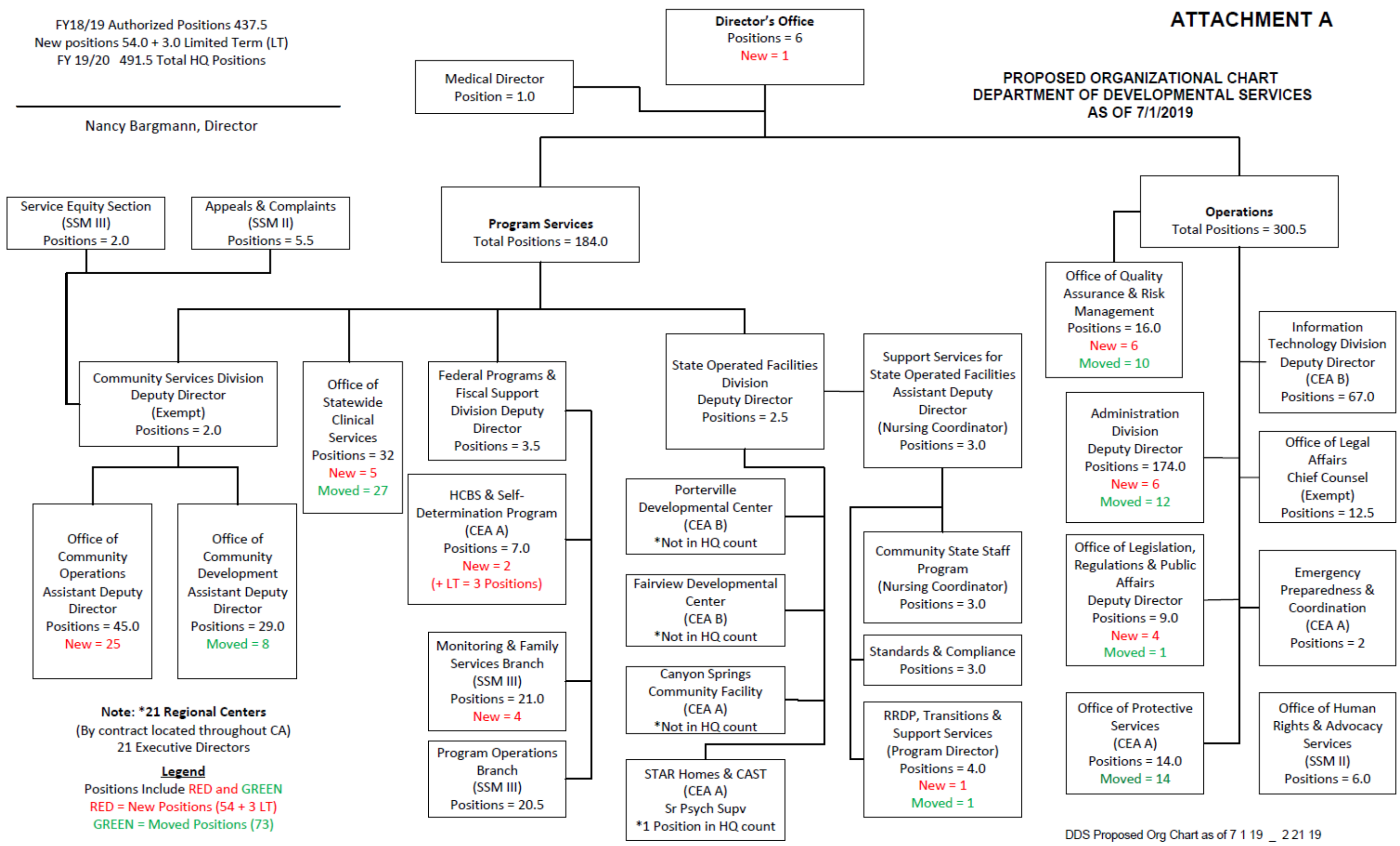
Proposal Calls for 54 New Positions. The proposal requests 54 new permanent positions and three positions that would be funded for only three years. Excluding the staff that work on-site at the DCs and other state-operated facilities, this proposal would increase the number of positions at DDS by 13 percent (from 415 to 469 positions). Thirty-seven of the 54 new positions and the three three-year positions would be in Program Services, while 17 new positions would work in Operations.

Some of the 54 new positions would augment current departmental functions. For example, the proposal calls for four additional staff to monitor and provide oversight of RCs' Early Start programs for infants and toddlers. Other positions would perform new functions for DDS. For example, the proposal requests an autism specialist to aid the department in understanding trends and research related to autism and to coordinate with other departments in serving the growing autism caseload. Finally, some positions would extend current oversight of RCs, as discussed below.

Proposal Increases Oversight of RCs. Currently, four positions act as liaisons with RCs. This proposal requests 19 additional positions to serve in this capacity. It proposes to create seven "RC Liaison/Monitoring Teams." Each team would include three people and maintain responsibility for oversight at three RCs. They would respond to complaints; attend RC board meetings and train RC board members; and ensure compliance with statutory, regulatory, and contractual obligations. Although the four current RC liaisons perform some of these functions already, this proposal would allow each team more time per RC. For example, instead of occasionally attending RC board meetings, a liaison would attend every RC board meeting.

Currently, DDS conducts its operations only from its Sacramento headquarters, aside from the state staff employed at DCs and other state-run facilities. This proposal includes opening a Southern California office (on the Fairview DC property in Costa Mesa in the near term) to house the RC Liaison/Monitoring Teams overseeing Southern California RCs.

The proposed organization chart was provided by DDS, showing the new positions being requested and current positions that will be moved given the reorganization:



STAKEHOLDER REACTION

Disability Voices United (DVU) writes that the Legislature should examine the DDS reorganization to ensure that its primary purpose is not to increase bureaucracy, but to create efficiencies, improve compliance, and reduce risk. They state, "Rather, its main intent should be to increase accountability and oversight, incentivize better outcomes for individuals served, and create a more person-centered service system. In addition, any significant reorganization should include additional reforms that provide for more transparency at DDS and regional centers as well as the creation of an independent office with oversight authority whose mission is to evaluate the impact of policy initiatives and identify systemic barriers.

DVU suggests the following questions:

- How will the reorganization improve outcomes for individuals, including community inclusion, higher employment rates, better health, increased choice, and greater satisfaction with their services and regional centers?
- Will the additional staff be empowered to solve both systemic issues and individual problems in a timely manner that lead to better outcomes?
- How will it meaningfully increase transparency and accountability of the Department's programs and the regional center system?
- Will these changes lead to a reduction in the disparities that exist between racial and ethnic groups as well as between regional centers?

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

The LAO provides the following comments and recommendations:

Although DDS has requested a relatively small dollar amount and staffing augmentation, $8.1 million ($6.5 million General Fund) ongoing and 54 permanent positions, its proposal to reorganize the Department represents a shift in thinking. Currently, the Department reflects two systems of service delivery: one community-based and one DC-based. The new structure would consolidate all consumer services under one "Program Services" umbrella and all administrative, legal, and clients' rights functions under a second "Operations" umbrella. Among other things, the proposal would enhance quality assurance, risk management, and fiscal accountability, and ramp up state oversight of Regional Centers (RCs), which coordinate services for consumers. This may be a good time to consider additional reform opportunities to improve DDS' operations and program delivery to consumers over the longer term. We recommend the Legislature request information from DDS at budget hearings about:

- DDS' short- and long-term goals, particularly from a consumer perspective, and how this reorganization will facilitate meeting these goals.

- How DDS would consolidate data and information collected and reported by various units throughout the Department to think strategically about the future and how DDS could more systematically collect data generally.

LAO Assessment. The cost of the proposal to restructure and reorganize DDS—$8.1 million (total funds)—does not represent a significant dollar amount relative to the total DDS budget. Yet, it does represent a shift in policy and thinking, and it comes at a critical juncture for the DDS system. DDS is in the process of closing its final general treatment DCs, ramping up its new self-determination program, preparing for possible vendor rate reform, dealing with how to best serve the rapidly growing number of consumers with autism, and preparing for 2022 implementation of the new federal rules.

In general, we find that the restructuring proposal warrants legislative consideration because it more logically reflects DDS' current responsibilities (and those that are on the horizon) and it attempts to respond to some of its current limitations, such as an inadequate number of staff to conduct timely and comprehensive risk management and quality assurance. It reflects the fact that all but 300 or so consumers will be served in community settings and responds to the new federal rules. It enhances oversight of RCs, which has been needed. For example, Kern RC has been operating under special contract language with DDS since 2015 after numerous complaints about service delays, lack of services, conflicts of interest, fiscal mismanagement, and lack of responsiveness (to consumers and families as well as to Kern County). In addition, Inland RC was also recently on probation, and South Central Los Angeles RC has been put on notice about possible probation.

Still, we note that the proposal misses some opportunities to more fully consider how the system could better deliver services from a consumer perspective. For example, although some changes could have a positive impact on consumers (such as the proposal to increase DDS oversight of RCs, which should lead to more timely response to complaints and reported incidents), it is unclear how the reorganization will lead more directly, and broadly, to improved outcomes for consumers and what specifically those improvements might be.

While the proposal includes increased data analysis and reporting, it does not appear to make significant changes to current data collection methods and types of data available. As we have noted in prior analyses, the current data available about DDS consumers and services are not comprehensive and are not collected in a systematic manner. This, in turn, makes it difficult to understand, in a quantifiable way, unmet service needs across the state, including whether vendors have capacity and whether services are accessible to consumers.

Finally, we note that the proposal includes several positions—such as the autism specialist, several research data specialists, and staff services managers—across various units throughout the Department that would handle important functions, such as emerging needs, literature reviews, research, trend analysis, and collaboration with parents and stakeholders to understand consumers' needs. It is unclear to us, however, whether and how DDS would take disparate pieces of information collected and provided from these various units and use them collectively to strategically plan for the future. For example, would DDS, with information collected by these various positions, be in a position to consider questions, such as:

- Is 21 the right number of RCs? And if not, how many should there be?
- Does DDS have the right amount of oversight of RCs?
- Should more of what RCs do be standardized to ensure consumers across the state receive the same level of service and/or should RCs be given more latitude to pursue creative solutions to challenges?
- How should fiscal constraints be reconciled with consumer choice?
- How can self-determination be used to enhance consumer outcomes? Can it reduce spending at the same time, and by how much?
- What can DDS and RCs do to promote a quality workforce among service providers?
- How should DDS and RCs measure quality in services?

LAO Recommendation. On net, we believe the benefits of this proposal outweigh any downside. As noted earlier, it more accurately reflects DDS' current system and challenges and is responsive to some of the recent challenges the Department has faced when it comes to RC oversight, risk management, and quality assurance. We suggest the Legislature request some of the following information at hearings and/or at May Revision to aid in its evaluation of the proposal, including the Legislature's decision about whether or not to make any changes to the proposal:

- DDS' overall near-term and longer-term goals, particularly from the consumer perspective, and how the proposed reorganization would help it reach these goals.

- Additional details about how the new Southern California office would operate and how staff in the Sacramento headquarters would maintain oversight of the new office's functions.

- Additional information about how DDS would consolidate findings from across the multiple units and positions to understand best practices, emerging needs, and trends, and to provide forward-looking leadership to RCs and vendors about how to best serve consumers.

- DDS' ideas and possible plans for how to address the data collection issue. For example, we suggest that the Legislature ask DDS to begin thinking about whether current methods could be enhanced or adapted or whether DDS should consider new ways to systematically collect information. The Legislature could consider asking the Department to prepare a roadmap to present with its 2020-21 budget proposal, for example. Such a plan could consider mechanisms to aggregate and analyze data and information at a statewide level to inform legislative, departmental, and fiscal and policy decision making.

STAFF COMMENT/QUESTIONS

Staff recommends that the Subcommittee ask the questions raised by DVU and the LAO on the prior pages. Staff additionally recommends asking how the Administration might consider deciding, messaging, and elaborating on what the shift in mission and state leadership means in the proposed reorganization. Under what understanding of mission and values will the new staff be hired? How will this adoption of renewed mission and values influence a mobile team working with a particular regional center in a more dedicated, frequent, and deeper way? How will issues of deficiency, neglect, and risk be identified and prioritized? How will high quality of care and positive outcomes for consumers be promoted in this context?

Staff Recommendation:

Hold open.

ISSUE 7: GOVERNOR'S BUDGET PROPOSALS RELATED TO HOME AND COMMUNITY-BASED SERVICES COMPLIANCE AND FEDERAL CLAIMS REIMBURSEMENT SYSTEM PROJECT

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Jim Knight, Assistant Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Public Comment

BACKGROUND

Service delivery methods and models continue to evolve as consumers are given more independence and freedom of choice in a system that is nearly 100 percent community-based. For example, new federal rules that will take effect in March 2022 require RCs and vendors to increase consumer integration in the community and enhance consumer choice, including using a "person-centered planning" process to understand and identify the individual goals, preferences, and needs of each consumer.

California's Employment First law makes competitive (meaning at least minimum wage), integrated employment a top priority for working age consumers. In addition, DDS is about to implement the Self Determination Program, which allows consumers much greater control over their choice of services and service providers and allows them to use independent facilitators to assist in planning. The program is being phased in over the next two-to-three years with about 2,500 consumers before being offered to all consumers.

GOVERNOR'S BUDGET PROPOSALS

The Governor's budget includes two proposals that are ultimately related to the Department's ability to claim federal Medicaid waiver reimbursements for community-based services—such as residential or day program services—provided to Medicaid-eligible consumers. Medicaid reimbursements are projected to account for nearly 40 percent of DDS' funding in 2019-20.

1. **Contracting for On-Site Vendors Assessments BCP.** This proposal concerns the state's plan for coming into compliance by 2022 with the new federal rules discussed earlier. These rules are associated with the state's ability to receive federal funding through the Home- and Community-Based Services Medicaid Waiver. These rules affect DDS as well as other state departments, including the Department of Health Care Services (DHCS) and Department of Social Services (DSS). As part of California's federally approved Statewide Transition Plan (the state's plan for how it will comply with the new federal rules), DDS must facilitate self-assessments by vendors. This requires vendors to respond to questions

about their current service delivery models, service settings, and staffing, for example, to help DDS determine what changes need to be made, if any, to help the vendor come into compliance with the federal rules. A second step involves taking a random sample of vendors and conducting an on-site assessment to validate information provided in the survey. The Governor's budget requests $3 million ($1.8 million General Fund) in one-time funds for DDS to work with a contractor to conduct approximately 1,100 on-site assessments.

2. **Proposed Federal Claims Reimbursement Information Technology (IT) System.** The Governor's budget proposes $3.2 million ($3 million General Fund) in 2019-20 and $12 million ($11.8 million) in each of 2020-21 and 2021-22 for a new IT system that would allow DDS to more efficiently submit claims to the federal government to ensure receipt of federal funding for Medicaid-eligible services. The 2019-20 amount would pay for planning costs, while the subsequent two years of funding would pay for design, development, and implementation of the IT project. The current "legacy" IT system used to claim federal reimbursements began to be implemented 36 years ago and is not meeting the current programmatic needs of the department. For example, DDS estimates it forgoes roughly $13.7 million in federal reimbursements each year because of the delays and manual intervention needed to use the legacy system. DDS is working with the California Department of Technology (CDT) and using its four-stage planning and approval process for IT project proposals.

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

LAO Assessment and Recommendation.

1. **For Contracting for On-Site Vendors Assessments BCP**. DDS must complete the assessments to comply with the federally approved transition plan, and ultimately to draw down a significant amount of federal funding by complying with the new federal rules. DDS based the cost of these on-site assessments on a contract DHCS has with a contractor for review of DHCS service providers. For these reasons, the LAO does not have concerns with DDS's request and recommends its approval.

2. **Proposed Federal Claims Reimbursement Information Technology (IT) System BCP.** Although the LAO agrees that DDS should modernize its federal claims reimbursement system (especially given that federal reimbursements currently account for $2.8 billion in annual DDS funding and given the annual amount DDS estimates it cannot currently claim), it is unclear to us that DDS needs to request the full three-year amount of funding in 2019-20. Departments should complete all four stages of CDT's IT project proposal planning and approval process before the fiscal year in which they are requesting design, development, and implementation funds. This allows the Department to solicit bids from external consultants and provide the Legislature with more precise estimates of total project cost, schedule, and scope before the Legislature approves project funding.

DDS is only in stage 3 of the process and claims that waiting to seek the remaining funding until after stage 4 is complete would delay the project by a year. We disagree. DDS does not plan to award a contract to an external consultant until the fall of 2020, and could request funding in next year's budget process. By waiting to approve the remaining funding, the Legislature would have additional cost, schedule, and scope information from stages 3 and 4 (if completed). Even if DDS has not received bids from external consultants by the time it must submit its 2020-21 budget request, we believe the Department could still provide more refined information to the Legislature based on what it learned in 2019. We therefore recommend approving only DDS' request for $3.2 million ($3 million General Fund) in planning dollars for 2019-20 and rejecting the current request for design, development, and implementation funding in both 2020-21 and 2021-22.

STAFF COMMENT/QUESTIONS

Staff recommends consideration of the LAO recommendation for the IT BCP. Moreover, the Subcommittee may wish to ask for a response from the Administration on if and how the new IT system can provide key consumer and service data, as discussed in depth by the LAO.

Should part of the planning for the IT system include contemplation of how the IT system can meet data needs, and should this be formalized, perhaps in Supplemental Report Language this cycle?

Staff Recommendation:

Hold open.

ISSUE 8: PROPOSALS TO RESTORE REDUCTIONS MADE IN PRIOR BUDGETS: UNIFORM HOLIDAY SCHEDULE, HALF-DAY BILLING, AND SOCIAL RECREATION AND CAMP

PANEL

- Nancy Bargmann, Director, and John Doyle, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Jordan Lindsey, Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative
- Amy Westling, Executive Director, Association of Regional Center Agencies
- Judy Mark, Disability Voices United
- Public Comment

ADVOCACY PROPOSALS

This section will cover three advocacy proposals to restore reductions made in prior budgets.

1. Uniform Holiday Schedule

As part of a package of budget solutions passed in 2009 in response to the significant state budget deficit, the state enacted a policy prohibiting RCs from paying service providers on 14 set holidays per year. This meant that service providers either did not provide services on those days or absorbed the cost without payment. The reduction was codified in Welfare and Institutions Code 4692.

The policy also required that the 14 holidays be uniform statewide (in other words, it could not be any 14 days throughout the year). This was called the uniform holiday schedule (UHS). This policy has not been enforced since 2015 (as a result of litigation, since resolved). Last year, the Governor's budget proposed beginning enforcement again in 2018-19, but a compromise reached with the Legislature, with a one-time General Fund appropriation of $29.3 million, delayed enforcement until 2019-20. The Governor's Budget proposes to reinstate the UHS starting July 1, 2019.

The Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative is proposing the elimination of the UHS policy and cites multiple scenarios where they contend the UHS implementation will cause negative impacts to consumers and providers.

2. Half-Day Billing

Similar to UHS, the Half-Day Billing (HDB) policy has its origins in budget reductions taken in the Great Recession. The reduction was codified in Welfare and Institutions Code 4690.6, and states that activity centers, adult development centers, behavior management programs, and other look-alike day programs with a daily rate shall bill regional centers for services provided to consumers in terms of half days of service and full days of service.

The definition of "half day of service" is set at any day in which a consumer's attendance does not meet the criteria of at least 65 percent of the declared and approved program day, or what qualifies for billing for a "full day of service."

The policy had not been enforced until July 1, 2018, when it was brought back into effect absent a resolution in the budget to appropriate funding to avoid having to implement this policy. The stated cost to eliminate the HDB in last year's discussions was $1.4 million General Fund.

The Lanterman Coalition and The Arc & United Cerebral Palsy Collaborative is proposing the elimination of the HDB policy, citing that the impacts on families and consumers are real, but perhaps indirect, as their provider is not being paid adequately, and thus services are threatened as a result. They state that situations where HDB is a harm involve consumers with more significant health or behavioral issues, because they may need to leave the program early or come late due to medical appointments, or not be able to stay for at least 65 percent of the day due to challenging behaviors. They state that the rule has the greatest impact on providers who are serving those with greater service needs.

3. Social Recreation and Camp

The origin of this service elimination also originated in the 2009 cuts of the Great Recession. Last year, the Senate and Assembly Budget Committees both passed funding for restoration, but it was not ultimately included in the final budget package.

The stated cost to restore the social recreation and camp services in last year's discussions was $14.2 million General Fund for the first year, allowing for a ramp up period to occur as regional centers review and update Individual Program Plans (IPPs) to identify the need for and authorize social recreation services, and to identify and develop providers to offer these services. The annualized cost of the restoration was $25.2 million in 2019-20 and ongoing.

Disability Voices United is proposing the restoration of the social recreation and camp service. They seek the full repeal of the suspension of a regional center's authority to purchase camping services, and associated travel expenses, or social recreation activities. They state that this restoration will provide extraordinary benefits to individuals with developmental disabilities and that these services are critical for children and adults to enjoy their lives, make friends, have physical activity, participate in cultural activities such as theater, music, or art, among many other benefits. They further contend that these services have been used at higher rates by underserved Latino, African-American, and Asian families in the past and restoring the funding would help reduce racial disparities.

LEGISLATIVE ANALYST'S OFFICE COMMENTS AND RECOMMENDATIONS

LAO Assessment on the Uniform Holiday Schedule. DDS estimates that enforcing this policy could save $47.8 million ($28.7 million General Fund) annually. Typically, most RCs and vendors observe a certain number of holidays each year regardless of state policy—often about ten days—so it is our understanding the estimate is based on the savings that would occur from observing about four additional days. The LAO notes that currently, California state government observes 11 holidays each year and the federal government observes 10. The 14-day schedule would therefore exceed both state and federal government practices.

One option is to statutorily establish a 10-day or 11-day schedule, rather than 14. This would not result in the savings estimated by the Administration, however. Whether the schedule should be uniform is another question. On the one hand, it ensures that services are up and running on the same days facilitating coordination between, for example, transportation and day program providers. On the other hand, consumers may have particular needs on certain holidays—for example they may need day program job support on the day after Thanksgiving if they work in retail.

The LAO believes that it would be reasonable for the Legislature to revisit the entire uniform holiday policy, which was part of a package of recessionary budget solutions, given the state's improved fiscal condition and the policy's potential negative ramifications on consumers.

STAFF COMMENT/QUESTIONS

Staff has an active request to the Administration on updated estimates for these restoration proposals. The Subcommittee may wish to underscore this request in the hearing.

Staff Recommendation:

Hold open.

ISSUE 9: OVERSIGHT, TRANSPARENCY, AND ACCOUNTABILITY: ASSOCIATED ADVOCACY PROPOSALS

PANEL

- Katie Hornberger, Director, Office of Clients' Rights Advocacy, Disability Rights California
- Alison Moranz, Disability Voices United
- Nancy Bargmann, Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSALS

Disability Rights California (DRC) writes with the following proposals:

DRC supports the efforts to increase oversight, accountability and transparency of the developmental disabilities system. DRC believes this needs to include efforts that focus on the families and consumers who receive services from the regional center. To increase transparency and accountability for consumers and families, DRC proposes the following:

DRC proposes to require regional centers to post all guidelines, protocols and assessment tools used to determine consumer's service needs. Currently, each regional center must publicly post, on its website, DDS-approved purchase of service policies and, as required by the Legislature last year, internal guidelines, protocols and assessment tools for respite. Most regional centers do not publicly post other internal guidelines or assessment tools used to determine consumer service needs. DRC states that it does not believe there should be any costs for posting this information on the website. Regional centers are only required to post information they already have and are not required to develop guidelines, protocols or assessment tools. DRC is unaware of any increase in respite costs as a result of the required posting last year.

DRC proposes to ensure due process by requiring Notice of Actions and access to complaint processes, and proposes amending WIC 4710 to remove the provision that permits the agency to forgo issuing a notice if the consumer or his or her representative purportedly has mutually consented to the agency action. Current law requires regional centers to provide notice if a regional center makes a decision without the "mutual consent" of the service recipient or authorized representative to reduce, terminate, or change services set forth in an individual program plan. This is a particularly acute problem for underserved communities who do not know their rights and are often deferential to those in positions of authority. DRC states DDS is the only agency that has the mutual consent exception to providing notice.

DRC proposes to give individuals who are receiving intake and assessment services from a regional center the right to file a 4731 complaint against the regional center when they believe their rights are being violated, and information explaining their right to do so during any given month. During the assessment process, there are procedural safeguards in place. For example, regional centers must schedule an intake within 15 working days from an initial request for assistance. Intake must also include a decision about whether to provide a formal assessment, which the regional center has 120 days to complete. However, individuals in the process can face lengthy delays and other rights violations.

DRC proposes to amend WIC 4646 to require regional center to provide a list of agreed upon services and supports at the conclusion of an IPP meeting. Regional centers could fulfill this with a simple hand-written document or utilize technology. The IPP must be signed to provide consent for services and supports to begin. The regional center should provide a written copy of the IPP within 45 days. However, many regional centers are experiencing delays due to support staff shortages. This results in a delay in starting services or clients and family members being forced to sign a blank IPP document.

DRC proposes to require DDS or its contractor, the Office of Administrative Hearings (OAH), to post all fair hearing decisions within 30 days after the decision is issued and require all decisions be searchable by keywords or case number and indexed by regional center, the type of service or support that was the subject of the hearing, and by the year of issuance. In practice, DDS reports that it requires the OAH to post fair hearing decisions on its website. However, OAH only posts a small percentage of all hearing decisions on its website and the website does not have an adequate search function by which the decisions can be located.

Disability Voices United (DVU) writes with the following proposal: DVU writes that its members are concerned that there is no independent office (or officer) charged with evaluating whether service goals are fully and timely met. “Many state and federal agencies have created offices with independent oversight authority. For example, California’s correctional system is overseen by an inspector general who acts “as the eyes and ears of the public in overseeing the State’s prisons and correctional programs.” The case for an inspector general, or similar entity, is particularly strong in the case of DDS, since the Department does not dispense any benefits or administer any programs directly, but relies on a network of 21 private nonprofit agencies to do so on its behalf. Before funding an expansion in the Department’s already sizable bureaucracy, we believe the legislature should consider creating an independent entity to “act as the eyes and ears of the public” and conduct ongoing system monitoring, so we have more objective information on whether reforms that are implemented actually improve the lives of the individuals served.” The cost this proposal is unknown.

STAFF COMMENT/QUESTIONS

Staff recommends that the advocacy requests raised under this item continue to be fleshed out to assess costs and to unearth issues of complication of which the proposing parties might not be aware. This effort is toward the quick development of options for appropriate consideration as we build toward the enacted 2019 Budget.

Staff Recommendation:

Hold open.

ISSUE 10: DISPARITIES FUNDING UPDATE AND ADVOCACY REQUEST

PANEL

- Nancy Bargmann, Director, John Doyle, Chief Deputy Director, and Brian Winfield, Chief Deputy Director, Department of Developmental Services
- Fernando Gomez, Disability Voices United
- Steven Pavlov, Department of Finance
- Sonja Petek, Legislative Analyst's Office
- Public Comment

BACKGROUND

For the past three years, the State Budget has provided $11 million per year to fund programs and strategies to reduce disparities in the DDS system. DDS provided the chart below in response to questions about the distribution of these funds.

DEPARTMENT OF DEVELOPMENTAL SERVICES
DISPARITY FUNDS PROGRAM
SUMMARY OF AWARDS - FISCAL YEARS 2016/17, 2017/18, and 2018/19

How has the $11m been awarded?

Table 2. Funding by RC, all FYs

	FY 2016/17		FY 2017/18		FY 2018/19		Total, FY 2016/17, 2017/18, 2018/19	
Regional Center	No. of Approved Proposals	Approved Funding	No. of Approved Proposals	Approved Funding	No. of Approved Proposals	Approved Funding	No. of Approved Proposals	Total
Alta California Regional Center (ACRC)	7	$155,497	4	$328,995	4	$232,087	15	$716,579
Central Valley Regional Center (CVRC)	2	$747,853	0	$0	2	$571,470	4	$1,319,323
Eastern Los Angeles Regional Center (ELARC)	8	$459,877	6	$1,119,606	3	$502,531	17	$2,082,014
Frank D. Lanterman Regional Center (FDLRC)	5	$1,290,184	4	$222,446	3	$378,084	12	$1,890,714
Far Northern Regional Center (FNRC)	1	$671,000	1	$202,891	3	$911,757	5	$1,785,648
Golden Gate Regional Center (GGRC)	2	$552,541	3	$685,184	3	$409,535	8	$1,647,260
Harbor Regional Center (HRC)	6	$465,000	3	$482,163	4	$353,466	13	$1,300,629
Inland Regional Center (IRC)	2	$516,634	2	$231,425	4	$523,026	8	$1,271,085
Kern Regional Center (KRC)	3	$137,235	2	$559,001	1	$500,000	6	$1,196,236
North Bay Regional Center (NBRC)	3	$164,185	1	$70,920	1	$74,127	5	$309,232
North Los Angeles County Regional Center (NLACRC)	2	$552,225	2	$606,039	3	$395,567	7	$1,553,831
Regional Center of the East Bay (RCEB)	5	$750,000	4	$955,549	7	$1,734,105	16	$3,439,654
Regional Center of Orange County (RCOC)	6	$230,950	7	$715,153	5	$457,595	18	$1,403,698
Redwood Coast Regional Center (RCRC)	4	$24,360	1	$272,636	0	$0	5	$296,996
San Andreas Regional Center (SARC)	6	$577,500	5	$992,913	2	$189,494	13	$1,759,907
South Central Los Angeles Regional Center (SCLARC)	8	$690,571	4	$1,209,915	4	$867,734	16	$2,768,220
San Diego Regional Center (SDRC)	1	$248,489	2	$387,472	1	$140,990	4	$776,951
San Gabriel/Pomona Regional Center (SG/PRC)	13	$919,035	8	$548,471	9	$436,433	30	$1,903,939
Tri-Counties Regional Center (TCRC)	1	$750,000	1	$70,512	4	$927,392	6	$1,747,904
Valley Mountain Regional Center (VMRC)	6	$441,600	2	$373,286	3	$511,000	11	$1,325,886
Westside Regional Center (WRC)	7	$533,950	3	$585,300	3	$568,000	13	$1,687,250
Statewide	0	$0	1	$380,000	1	$314,185	2	$694,185
Total	***98***	***$10,878,686***	***66***	***$10,999,877***	***70***	***$10,998,578***	***234***	***$32,877,141***
			Of the 66 projects, 31 are RC projects and 35 are CBO projects		Of the 70 projects, 35 are RC projects and 35 are CBO projects.			

ADVOCACY PROPOSAL

Disability Voices United (DVU) states that while DDS is requiring the funded programs to provide data on the effectiveness of their programs, there is no oversight to ensure that the data is accurate and no rigorous independent evaluations to determine whether the programs were in fact efficacious. Moreover, there has been no assessment of whether the grants have targeted regional centers with the greatest levels of disparities, and DDS has not tied the receipt of funds to a demonstration of program effectiveness. In many cases, the grants were distributed with limited input from the most underserved communities. Finally, little attention has been paid to the great differences between regional centers in the amount of services provided.

DVU is asking the Legislature to require DDS and regional centers to produce comprehensive and comparative data on the progress they have made in reducing racial and ethnic disparities, including the extent to which any improvements were brought about by the programs funded by DDS. "The Department should be required to use more rigorous, evidence-based, data-driven processes for selecting grants and target areas with the greatest levels of disparities. Grant recipients should be required to collaborate with independent evaluators to rigorously assess whether, and if so to what extent, the projects funded succeed in reducing disparities. The Legislature should also analyze data that compares regional centers and explore solutions to these inequities."

DVU states, "As we detailed in our report provided to the Assembly and Senate Budget Committees in 2018, the root causes of disparity are complex and the solutions are not easy. DVU has explored the recently published data on service expenses by ethnicity and found some small progress has been made at some regional centers. But the racial disparities still widely exist, and in some cases have widened. Equally concerning is the continuing problem of "geographic disparities," that where you live and which regional center serves you determines your ability to access needed services. The third installment of disparity grants is currently being decided by DDS without any thorough investigation into whether the previous $22 million in grants had any effect…"

STAFF COMMENT/QUESTIONS

Staff is in very recent receipt of responses to questions regarding disparities funding, which are still being reviewed at the time of this writing. Staff suggests asking the Administration to consider what new, detailed, and clarifying information it can make available publicly regarding this funding, responding to the issues raised by the advocates. The Subcommittee could suggest that the Administration consider and respond in writing to Subcommittee staff, the LAO, and noted stakeholders on possibilities in this regard by a date certain. As with other issues, staff would suggest April 1 as a reasonable outside date for this request.

Staff Recommendation:

Hold open.

NON-DISCUSSION ITEMS

There are no panels for non-discussion items, but the Chair will ask if there is any public comment for these items. If a Member of the Subcommittee wishes for a fuller discussion on any of these issues, please inform the Subcommittee staff and the Chair's office as soon as possible. Thank you.

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 11: OVERVIEW OF GOVERNOR'S BUDGET FOR DDS, INCLUDING PROPOSALS NOT OTHERWISE COVERED IN THE AGENDA

DEPARTMENT AND BUDGET OVERVIEW

The Governor's budget proposes $7.8 billion in spending for the Department of Developmental Services (DDS) in 2019-20, with $4.8 billion from the General Fund. Compared to estimated 2018-19 expenditures, this marks an increase of $435 million (5.9 percent) overall and $332 million (7.5 percent) in General Fund spending.

DDS expects to serve 350,000 consumers in 2019-20, 16,500 more than in 2018-19. ("Consumers" is the term used in statute for the individuals with qualifying developmental disabilities receiving DDS services.) These new consumers, representing a 5 percent caseload increase, along with changes in consumers' mix of services, account for about $303 million of the General Fund growth. The cost to cover the 2019 and scheduled 2020 increases in the state minimum wage among service providers' staff accounts for about $80 million of General Fund growth. Increased spending is partially offset by decreased spending on Developmental Centers (DCs) of $41 million General Fund.

California's Lanterman Act was passed in 1969 and amounts to a statutory entitlement to services and supports for individuals with qualifying developmental disabilities. Qualifying disabilities include autism, epilepsy, cerebral palsy, intellectual disabilities, and other conditions closely related to intellectual disabilities (such as a traumatic brain injury) that require similar treatment. The disability must be substantial, lifelong, and start before the age of 18. By passing the Lanterman Act and subsequent legislation, the state has committed itself to providing the services and supports that all qualifying "consumers" (the term used in statute) need and prefer to live in the least restrictive environments possible. There are no income-related eligibility criteria.

DDS oversees the provision of services and supports, which are coordinated by 21 nonprofit Regional Center (RC) agencies. Nearly all current 333,000 consumers receive these services in community settings, rather than in institutions. RCs have service coordinators who are the consumers' case managers. They coordinate consumers' services and supports, which are provided by more than 40,000 vendors across the state and include residential, day program, employment, transportation, and respite services. Using state and federal funding from DDS, RCs pay vendors using what is called their "purchase of service" (POS) budgets. RCs cannot use POS funding to purchase services until all sources of other available funding have been exhausted, such as private health insurance or Medi-Cal (the state's Medicaid program).

The Governor's budget includes a net reduction in the number of DDS positions (which include both staff at headquarters and staff operating state-run homes and facilities) of 631 positions, or 21 percent, from 3,598 to 2,967. While the budget proposes to add 251 positions in 2019-20, 54 at headquarters and 197 at state-run homes and facilities, these additions are more than offset by a reduction of 882 positions at the DCs that are closing.

Further adjustments to the DDS budget for the current and budget year are outlined on the following pages.

Current-Year Adjustments. Slightly lower spending in 2018-19 relative to the enacted budget reflects the net effect of several changes, as described below. Caseload is expected to be 356 people higher than in the enacted budget, which partially offsets lower spending.

- ***POS—Total Decrease of $74.7 Million ($37.1 General Fund).*** Primary drivers of the change include:
    - ***How Consumers Use Services.*** Net decrease of $20.4 million ($1.2 million General Fund) due to a shift in the amount and mix of services consumers are expected to use. For example, increased spending on community care facilities, health care, and medical facilities is more than offset by larger decreases in spending on day programs, in-home respite, employment programs, and transportation. (This net decrease in spending on services largely reflects lower-than-expected spending on the January 1, 2018 state minimum wage increase.)
    - ***January 1, 2019 State Minimum Wage Increase.*** Additional decrease of $54.6 million ($33.1 million General Fund) in the cost to cover the January 1, 2019 state minimum wage increase among vendors' minimum wage staff. The decreases are based on lower-than-expected actual costs associated with the minimum wage increases that took effect on January 1, 2017 and January 1, 2018.
- ***RC Operations—Total Decrease of $27.7 Million General Fund.*** The relative cost to the General Fund declined because DDS secured additional federal Medicaid matching funds through the Targeted Case Management program (which helps pay for RC case management for Medicaid-eligible consumers).
- ***State-Run Services—Net Increase of $9.8 Million ($7.5 Million General Fund).*** The current-year budget for state-run services reflects the rising cost of employee compensation and retirement due to revised collective bargaining agreements, partially offset by reduced operating costs from moving 20 DC residents to the community earlier than expected.

Budget-Year Changes. Increased spending of $435.2 million ($332.4 million General Fund) in 2019-20 relative to revised current-year estimates is largely a result of caseload growth and costs to cover 2019 and scheduled 2020 minimum wage increases among vendors' lowest wage staff, offset to some degree by reductions in the cost to operate DCs.

- ***POS—Net Increase of $506.2 Million ($362.3 Million General Fund).*** Major drivers of this change include:
    - ***Caseload Growth and How Consumers Use Services.*** Increased spending of $370.9 million ($278.5 million General Fund) ongoing to account for an anticipated 16,512 new consumers and the projected mix and amount of services used. Spending is expected to increase for community care facilities, support services, in-home respite, and day programs. Spending is expected to decline for work activity programs (non-integrated sub-minimum wage programs) and increase for individual supported employment (integrated, competitive job programs). The shift from work activity programs to supported employment is what we should expect to see as the system moves into compliance with new federal rules and state rules, which both favor consumer employment in integrated settings.

- ◦ ***2019 and 2020 State Minimum Wage Increases.*** Increase of $159 million ($80.1 million General Fund) ongoing to cover vendors' costs associated with both the 2019 and scheduled 2020 increases in the state minimum wage.
  - ***One-Time 2018-19 Expenditures That Are Ending.*** Decrease of $89.8 million ($53.7 million General Fund) by ending the delay of the "uniform holiday schedule" (discussed later in the report) and one-time rate increases—"bridge funding"—for vendors in high-cost areas.
- ***RC Operations—Net Increase of $43.7 Million ($29 Million General Fund).*** Major changes include:
  - ***Caseload.*** Increase of $35 million ($25.2 million General Fund) ongoing for staffing costs associated with growth in caseload.
  - ***New Positions.*** Increase of $9.3 million ($6.5 million General Fund) ongoing for staff to monitor new housing models ($5.5 million, $3.9 million General Fund) and for additional service coordinator time to work with those consumers who have especially complex needs ($3.8 million, $2.6 million General Fund).
  - ***DC Closure Activities.*** Reduction of $5.4 million in RC costs associated with moving consumers from the DCs into the community.
- ***State-Run Services—Net Decrease of $84.9 Million ($40.8 Million General Fund).***
  - ***DC Closures.*** Year-over-year decrease of $105.9 million ($55.6 million General Fund) due to the closure of Sonoma DC in 2018-19 and the anticipated closures of Fairview DC and the general treatment area at Porterville DC in 2019-20.
  - ***Safety Net Development.*** Increase of $11.7 million ($7.3 million General Fund) for the development of additional state-run crisis and safety net services.
  - ***Deferred Maintenance.*** Increase of $5 million (all from the General Fund) for deferred maintenance projects at the secure treatment program at Porterville DC.
- ***Headquarters Changes.*** Expiration of one-time costs of $400,000 (for person-centered planning training) are offset by an increase of $13.9 million ($10.9 million General Fund), as follows:
  - ***Reorganization of DDS.*** Increase of $8.1 million ($6.5 million General Fund) ongoing to restructure the department, as discussed in the next section.
  - ***Contractor Costs Related to New Federal Rules.*** One-time increase of $3 million ($1.8 million General Fund) to hire a contractor to conduct site assessments of vendors as part of coming into compliance with new federal Medicaid rules.
  - ***Information Technology (IT) Project to Improve Federal Claims System.*** One-time increases of $3.2 million ($3 million General Fund) in 2019-20 and $12 million ($11.8 million General Fund) in each of 2020-21 and 2021-22 to develop a new IT system to manage claims to receive federal Medicaid reimbursements.

Additionally the Budget includes $1.5 million General Fund ongoing for the Best Buddies program, with the intention of supporting social inclusion, integrated employment, and leadership programs for children and adults with developmental disabilities. The Governor's Budget references that there will be reporting of the numbers of persons served.

Program and Funding Summary
(Dollars in Thousands)

	2018-19*	2019-20	Difference
Community Services Program			
Regional Centers	$6,892,600	$7,398,803	$506,203
Totals, Community Services	**$6,892,600**	**$7,398,803**	**$506,203**
General Fund	$4,087,869	$4,450,177	$362,308
Program Development Fund (PDF)	2,253	2,242	-11
Developmental Disabilities Svs Acct	150	150	0
Federal Trust Fund	54,276	54,276	0
Reimbursements	2,747,312	2,891,218	143,906
Mental Health Services Fund	740	740	0
Developmental Centers Program			
Personal Services	$328,468	$255,941	-$72,527
Operating Expense & Equipment	65,915	53,521	-12,394
Total, Developmental Centers	**$394,383**	**$309,462**	**-$84,921**
General Fund	$306,682	$265,834	-$40,848
Federal Trust Fund	0	0	0
Lottery Education Fund	180	180	0
Reimbursements	87,521	43,448	-44,073
Headquarters Support			
Personal Services	61,754	69,442	7,688
Operating Expense & Equipment	9,141	15,351	6,210
Total, Headquarters Support	**$70,895**	**$84,793**	**$13,898**
General Fund	$42,314	$53,217	$10,903
Federal Trust Fund	2,761	2,708	-53
PDF	388	389	1
Reimbursements	24,953	27,999	3,046
Mental Health Services Fund	479	480	1
Totals, All Programs	**$7,357,878**	**$7,793,058**	**$435,180**
Total Funding			
General Fund	$4,436,865	$4,769,228	$332,363
Federal Trust Fund	57,037	56,984	-53
Lottery Education Fund	180	180	0
PDF	2,641	2,631	-10
Developmental Disabilities Svs Acct	150	150	0
Reimbursements	2,859,786	2,962,665	102,879
Mental Health Services Fund	1,219	1,220	1
Totals, All Funds	**$7,357,878**	**$7,793,058**	**$435,180**
Caseloads			
Developmental Centers	514	323	-191
Regional Centers	333,094	349,606	16,512
Departmental Positions			
Developmental Centers	3,182.7	2,497.9	-684.8
Headquarters	444.0	503.0	59.0

*Total Expenditures do not reflect the statewide item for Employee Retention Incentives of $20.1 million that was added by the 2016 Budget Act and displayed as a Carryover in the Governor's Budget Galley.

STAFF COMMENT/QUESTIONS

Staff is not aware of other significant issues raised with other parts of the DDS budget not otherwise addressed in this agenda.

Staff Recommendation:

Hold open.

ISSUE 12: REQUEST FOR TECHNICAL CLEAN-UP TRAILER BILL LANGUAGE

PROPOSAL

The Subcommittee is in receipt of a trailer bill clean-up proposal from Assemblymember Mark Stone, described as follows:

"Last year, I authored AB 1214, which updated the provisions governing how juvenile competency is evaluated during delinquency proceedings.

Language referencing developmental centers was inadvertently included in the final version of the bill and is now in Section 709 (b) (9) (A) and Section 709 (g) (1) (A) of the Welfare & Institutions Code. However, in 2012, there was a statutory moratorium placed on developmental center admissions, and there are currently no provisions for the admission of a minor to a developmental center or to a state-operated community facility.

I submit this letter to request that a technical fix to clarify this error be included in the Human Services Trailer Bill. Striking Section 709 (b) (9) (A) and Section 709 (g) (1) (A) of the Welfare & Institutions Code will clarify that Developmental Centers are not a potential placement option for juveniles. Although the language does not authorize the admission of minors to developmental centers or to state-operated facilities, the references should be removed to avoid any unnecessary confusion about placement options for juveniles."

STAFF COMMENT/QUESTIONS

Staff is not aware of issues or concerns with this request. This hearing is a way to actively request feedback if concerns exist.

Staff Recommendation:

Hold open.